

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

Report Issued by: Jason Carne (Interim Chief Internal Auditor)

Date: 29 May 2025

		Audit Summary
Assurance Opinion	S	Reasonable
	R	
	L	
	N	
Risk Opinion	H	Medium
	M	
	L	
Number/ Priority of Findings		High (1)
		Medium (1)

Executive Summary

The overall objective of this audit was to review St Cleer Parish Council's financial systems and processes and to conclude on their effectiveness in safeguarding the Council's resources, to the extent required by the Annual Governance and Accountability Return (AGAR).

In order to form an opinion on the overall objective, testing focussed on the following areas:

- Verifying that appropriate accounting systems and records are maintained.
- Ascertaining whether the creditors system is fit for purpose.
- Establishing whether suitable risk management processes are in place (including managing the risk of fraud).
- Establishing whether adequate budgetary controls are in place.
- Establishing that income is appropriately accounted for.
- Establishing that petty cash is appropriately controlled.
- Verifying the accuracy of salaries paid to employees and the appropriateness of allowances claimed by Members.
- Ascertaining whether asset and investment registers are complete and accurate.
- Ascertaining whether the bank account is subject to periodic reconciliations; and
- Verifying that accounting statements are prepared on the correct accounting basis.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

At the request of the Clerk and Responsible Financial Officer (RFO), this audit was undertaken to support the submission of the AGAR. The previous audit report, issued in June 2024, included five medium priority agreed management actions. We have followed up on the actions to confirm that satisfactory progress has been made with implementation.

Our opinion is one of **Reasonable Assurance** on the effectiveness of St Cleer Parish Council's systems and processes in safeguarding the Council's resources in the year covered by the 2024/25 Annual Governance and Accountability Return (AGAR). This opinion is based on the review of documentation, sample testing and interviews with the Parish Clerk/RFO.

Satisfactory progress has been made in implementing three out of the four agreed management actions from the Internal Audit report issued in June 2024. The one outstanding action relates budget monitoring and reporting. Budget oversight during the year was weak as only one budget management report has been presented to the Council during the year.

We consider the risk exposure to St Cleer Parish Council is **Medium**. This reflects the state of the control environment and the weakness relating to budget oversight which could lead to overspending and uninformed decision making.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

Work Performed and Findings

In accordance with the Terms of Reference the work completed to undertake this audit review, and the findings are summarised as follows:

1. Verifying that appropriate accounting systems and records are maintained.

Internal Audit verified whether appropriate accounting systems and records are maintained by interviewing the Parish Clerk/RFO and reviewing records that had been maintained throughout the 2024/25 financial year.

Appropriate accounting systems and records are held by St Cleer Parish Council.

1.1 We verified that accounting transactions had been recorded in the XERO Accounting system.

2. Ascertaining whether the creditors system is fit for purpose.

Internal Audit ascertained whether the creditors system is fit for purpose by reviewing the Financial Regulations, the minutes of Full Council meetings (for 2024/25) and testing a sample of expenditure transactions from the period 1 April 2024 - 31 March 2025.

Financial Regulations were in place and have been complied with. While the creditors system is fit for purpose we identified weaknesses in respect of invoice authorisation. We acknowledge that the transactions in question occurred in the period prior to the appointment of the Clerk in May 2024. The following was established:

2.1 St Cleer Parish Council updated their financial regulations in August 2024.

2.2 Most Payments (13/15) were properly approved. However, two invoices did not have approval recorded in Council minutes due to the cancellation of the scheduled meeting. Both suppliers are on the Council's pre-approved list. These payments

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

were made before the current Clerk's appointment in May 2024, and all transactions between May 2024 to March 2025 in the sample were properly authorised and recorded.

2.3 The Council's purchase card has not been used during the year.

2.4 The agreed management action from the previous report (below) relating to approval of payments has been implemented.

Agreed Management Action	Testing Outcome
<p>All meetings will be properly minuted with the payments schedule appended and minutes posted promptly on the website. Authorised paper copies of the Payment Schedule will be kept on file with the meeting papers.</p> <p>Scheduled Implementation Date: Immediate</p>	<p>The majority of transactions in the test sample met this requirement. Two transactions lacked minuted approval because the meeting scheduled for 24 April 2024 was cancelled. These suppliers are on the Council's pre-approved list. The Clerk was appointed in May 2024, and all transactions between May 2024 to March 2025 in the sample have been properly authorised and recorded.</p>

3. Establishing whether suitable risk management processes are in place (including managing the risk of fraud)

Internal Audit established whether suitable arrangements were in place by reviewing the Corporate Risk Assessment, confirming that the Council had appropriate insurance cover and identifying internal control arrangements.

The Council has effective processes in place for managing risk. The following was established:

3.1 The Council reviewed and approved the Corporate Risk Assessment for 2024-25 in November 2024.

3.2 The Council has appropriate insurance cover in place, including cover for cyber security incidents.

3.3 The Internal Control Policy published on their website was approved by the Full Council in January 2025.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

- 3.4 The Council has carried out internal control checks every month between October 2024 and March 2024 with completion reported to the Full Council.

4. Establishing whether adequate budgetary controls are in place.

Internal Audit established whether adequate budgetary control was in place by reviewing the process for budget setting for the 2024/25 year, the frequency and quality of budget management reports and the adequacy of reserves.

The Council has ineffective controls in respect of budget management. The following was established:

- 4.1 The process for setting the budget for the 2024/25 was satisfactory, but we observe that budget oversight was weak during the year with only one budget monitoring report presented to the Council in January 2025.
- 4.2 The Council has £96.8k in Earmarked Reserves and £54.8k in General Reserves. We acknowledge that the Council has reviewed the designated earmarked reserves as part of the budget setting process for 2025/26. The reserves are considered high for an authority of this size, but we acknowledge that the Council has identified areas of spend from Earmarked Reserves in 2025/26. The Council should consider creating a reserves policy as advised in the Joint Panel on Accountability Practitioners (JPAG) Guidance. The JPAG guidance emphasises the importance of adopting a general reserve policy that is appropriate to the council's size, situation and risks.
- 4.3 Overall, the Council's balances shown in Table 1 have decreased by £14.8k during the year due to the precept value being set at £35k, and spending from earmarked reserves. It was noted that the original budget did not account for Community Infrastructure Levy (CIL), Section 106 (S106), or Local Maintenance Partnership (LMP) funds. Additionally, the Council received more bank interest than was estimated in the budget.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

Table 1 Comparison of Budget to Actual Outturn for 2024/25

	Budget	Actual Outturn
	£	£
Income	40,538	66,635
Expenditure	112,347	81,443
Deficit	(71,809)	(14,808)
Reserves B/f	166,482	166,482
Reserves C/f	94,673	151,674

4.4 The agreed management action from the previous report (below) relating to budget management and reporting has not been implemented.

Agreed Management Action	Testing Outcome
<p>The budget for each cost centre will be shown and reported against at least quarterly to both Finance Committee and Full Council.</p> <p>Scheduled implementation date: 30 June 2024</p>	<p>The review confirmed that reports have not been produced quarterly. Only one report has been produced during the 2024/25 financial year which was presented to the Full Council in January 2025.</p>

5. Establishing that income is appropriately accounted for.

Internal Audit established whether income was appropriately accounted for by identifying the sources of income and ascertaining whether income due to the Council had been fully received and accounted for.

The Council has effective controls in respect of the precept and allotment rents and water and for collecting income for the use of the Pavilion and Sports Pitches. The following was established:

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

- 5.1 All of the expected income from the precept and allotment rents and water had been fully received and properly accounted for.
- 5.2 The Council received £6,658.32 from the use of the Pavilion and Sports Pitches. This included a payment from the Adult Football Club relating to 2023/24.
- 5.3 The Council is issuing invoices for the use of the Pavilion and Sports Pitches. All issued invoices were paid by 31 March 2025.
- 5.4 The Council has received the additional funding totalling £20,266.50 from Cornwall Council in respect of the CIL, S106 and LMP.
- 5.5 The agreed management action from the previous report (below) relating to collection of income relating to 2023/24 for use of the sports pitches has been implemented.

Agreed Management Action	Testing Outcome
<p>Income has been received from the junior teams, and they have paid at the old rate as agreed with the Chairman. Council will need to agree fees going forward and the Clerk will invoice at appropriate intervals.</p> <p>Scheduled implementation date: 30 June 2024</p>	<p>The review confirmed that income for 2023/24 for use of the sports pitches had been received. Confirmed by reviewing the income received by St Cleer during the year that invoices have been raised for the hire of the sports pitches.</p>

6. Establishing that petty cash is appropriately controlled.

St Cleer Parish Council does not hold any petty cash.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

7. Verifying the accuracy of salaries paid to employees and appropriateness of allowances claimed by members.

Internal Audit verified the accuracy and appropriateness by reviewing the payments made to employees and allowances paid to Members.

St Cleer has effective processes in place to ensure that salaries paid to employees are accurate and allowances claimed by Members are appropriate. The following was established:

- 7.1 During the year the Council had one new starter. The Clerk is employed for 20 hours per week with provision for up to an additional 10 hours in place subject to the approval of the Chair of the Council. The arrangements for accounting for pay were appropriate.
- 7.2 No regular allowances have been paid to Members although, Councillors have been reimbursed for expenses during the year. All of these payments were properly approved by Full Council.

8. Ascertaining whether asset and investment registers are complete and accurate.

Internal Audit ascertained the completeness and accuracy by reviewing the Asset Register, checking that the valuation was reflected in the accounting statements and establishing whether the Council had any active investments.

St Cleer has effective processes in place and valuation of assets has been stated on the basis of replacement cost. The following was established:

- 8.1 The Council has purchased a laptop during the 2024/25 year which we were able to confirm had been added to the asset register which is published on the Council's website.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

9. Ascertaining whether the bank account is subject to periodic reconciliations.

Internal Audit ascertained whether the bank account was subject to periodic reconciliation by establishing how many bank accounts the Council has, identifying the authorised signatories, how the access is administered, responsibility for the reconciliation process and the frequency of reconciliations.

St Cleer has effective processes in respect of the administration of the bank accounts. The following was established through the examination of key documents:

- 9.1 The Council has four bank accounts, two with Unity Trust Bank and two with HSBC bank. The Council's bank mandate has been updated four times during the year.
- 9.2 Access to create and authorise BACS payments using the Unity Trust Bank Current Account are controlled and there is appropriate segregation of duty between input and authorisation of payments.
- 9.3 Bank reconciliations have been completed on a regular basis throughout the year.
- 9.4 The bank balances at the 31 March 2025 (year-end) were agreed to the Accounting Statements on AGAR.

10. Verifying that accounting statements are prepared on the correct accounting basis.

Internal Audit verified whether the accounting statements are prepared on the correct accounting basis by identifying the basis for the preparation of the Accounting Statements and ascertaining whether the statements agreed to the cashbook and were supported by an adequate audit trail from underlying records.

The accounting statements for the year 2024/25 were reviewed. The following was established:

- 10.1 The accounting statements had been completed on a receipts and payments basis, agreed to the cashbook and are supported by an adequate audit trail.

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)

11. Publication arrangements.

Internal Audit ascertained whether publication arrangements were appropriate by identifying the information and documentation published on St Cleer Parish Council's website and verifying whether the publication arrangements had been complied with.

St Cleer Parish Council has complied with the relevant publication arrangements. The following was established:

- 11.1 The Council has published information on a free to access website including the Financial Regulations, Standing Orders, Asset Register and Corporate Risk Assessment. All of the documents have been reviewed and approved during the 2024/25 financial year.
- 11.2 The Council correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations for the 2023/24 AGAR.
- 11.3 The 2023/24 financial year publication requirements relating to Section 1 and Section 2 of the 2024/25 AGAR were approved at the Council meeting on 23 April 2025 which is well in advance of the expected deadline for publication of 1 July 2025.
- 11.4 The agreed management action from the previous report (below) relating to ensuring that the Financial Regulations and Standing Orders have been revised and brought to the Council for adoption has been implemented.

Agreed Management Action	Testing Outcome
<p>All documents will be revised and brought to Council for adoption starting with the Financial Regulations (to the latest template) and Standing Orders (June 2024).</p> <p>Scheduled implementation date: 30 September 2024</p>	<p>We confirmed that the Financial Regulations and Standing Orders were reviewed and approved by the Council in August 2024 and links to the current version were found to be present on the Council's website.</p>

FINAL Internal Audit Report: St Cleer Parish Council (25-26EXT01)**Overall Management Response and Comments on Findings**

In response to paragraph 2.1 the two invoices were not properly approved – the companies were listed on the pre-approved list but admittedly it did not specify what kind of payment should be approved. For the CALC invoice this would have been for the annual CALC / NALC subscription and for Rialtas this would have been for the annual fees associated with the software both of which the invoices were for. All online bank payments have to be dual authorised so two people would have to have checked the invoice for payment. They may not have been processed in accordance with best practice, but they were pre-approved and checked for payment by 2 people.

Katie-Marie Goodwright, St Cleer Parish Council Clerk & RFO

29 May 2025

Annex A: Findings and Observations

Findings and Agreed Management Actions

This table summarises the findings from the audit, the implications of the findings, the action management has agreed to take to respond to this finding, the officer responsible for implementing the action and the estimated due date for implementation.

#	Findings & Implications	Agreed Management Action	Responsible Person / Due Date
	High		
1	<p>Budget oversight was weak during the year with only one budget monitoring report being presented to the Council during the year in January 2025.</p> <p>The implication being that the Council did not have a clear understanding of their financial position throughout the year which could have led to overspending or missed opportunities for cost savings. In addition, the ability of the Council to make informed decisions was hindered without this information.</p>	As the current clerk was in post for the 25-26 budget setting and set up Xero accounting software accordingly, there will be no issue with regular budget reporting, as the budget and the accounting systems are aligned.	Clerk/RFO Immediate – first budget report will be June 2025
	Medium		
1	St Cleer Parish Council does not have a general reserve policy. The Council has Earmarked Reserves of £96k and General Fund Reserves of £55k. We suggest that the Council considers adopting a general reserve policy in accordance with the Joint Panel on Accountability and Governance (JPAG) Practitioners Guide.	Finance and General Purposes Committee recommended a policy to Full Council to be adopted on 25 May 2025	Clerk/RFO and Full Council 25 May 2025

Annex B: Audit Opinion Ratings, Limitations, Contacts & Distribution

Assurance – Overall Ratings	
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Risk – Overall Ratings	
High	There is a high overall risk that future strategic, operational or reputational risks could materialise and result in an inability to deliver the key priorities/outcomes in scope for this Internal Audit review.
Medium	There is a medium overall risk that future strategic, operational or reputational risks could materialise and result in an inability to deliver the key priorities/outcomes in scope for this Internal Audit review.
Low	There is a low overall risk that future strategic, operational or reputational risks could materialise and result in an inability to deliver the key priorities/outcomes in scope for this Internal Audit review.

Priority – Audit Findings and Observations	
High	A critical control weakness that results in serious risks and/or an unacceptable level of risk to the delivery of key objectives. There is an urgent requirement for management to implement remediation actions.
Medium	A control weakness that carries a risk of undesirable effects in loss, exposure, poor value for money or missed business opportunities and benefits. It is important for management to implement remediation actions.
Low	No significant weakness identified but there are potential areas where control improvements could be made to implement best practice, which are noted as observations.

Annex B: Audit Opinion Ratings, Limitations, Contacts & Distribution

Limitations

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. The findings and opinion are based only upon the work carried out as detailed in the agreed terms of reference.

This review and report do not remove management's responsibility for ensuring that internal controls and risk management arrangements are sufficient to protect the interests of St Cleer Parish Council.

Contacts

For more information about this report please contact:

Alison Schofield, Senior Auditor: alison.schofield@cornwall.gov.uk

Gary Walton, Principal Audit Manager: gary.walton@cornwall.gov.uk

Jason Carne, Interim Chief Internal Auditor: jason.carne@cornwall.gov.uk

Annex B: Audit Opinion Ratings, Limitations, Contacts & Distribution

Report Distribution

Draft Report:

Katie-Marie Goodwright Clerk & RFO, St Cleer Parish Council

Final Report (in addition to above):

Cllr Sue Harboard, Chair of the Finance & General Purposes Committee

Cllr John Prinn, Chair St Cleer Parish Council