

Final Internal Audit Report: St Cleer Parish Council (26-27EXT02)

Report Issued by: Zoe Davies (Chief Internal Auditor)

Date: 20 May 2026

		Audit Summary
Assurance Opinion	S	Reasonable
	R	
	L	
	N	
Risk Opinion	H	Medium
	M	
	L	
Number/ Priority of Findings		High (0)
		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.

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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 May 2025, included one high priority and one medium priority agreed management action. We followed up on the actions to confirm that satisfactory progress had been made with implementing these actions.

Assurance Opinion

Our opinion is one of **Reasonable Assurance** on the effectiveness of St Cleer Parish Council's systems and processes for safeguarding the Council's resources for the period covered by the 2025/26 Annual Governance and Accountability Return (AGAR). This opinion is based on our review of documentation, sample testing and interviews with the Parish Clerk/Responsible Financial Officer (RFO). We note that the General Fund Balance of £29,331 as at 31 March 2026 is below the £50,000 minimum set out in the Council's Reserves Policy. A medium priority finding relating to the Council's approach to restoring General Fund Reserves to the target level (or formally revising the target if it is no longer appropriate) is set out in **Annex A**.

Satisfactory progress has been made in implementing the two agreed management actions from the Internal Audit report issued in May 2025.

We consider the risk exposure to St Cleer Parish Council is **Medium**. This reflects the state of the control environment and the need to ensure that the Council's general reserves are maintained at an appropriate level.

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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

The following work was undertaken in determining our findings:

- Discussions were held with the Parish Clerk/RFO.
- Records maintained throughout the 2025/26 year were reviewed.

1.1 Our audit confirmed that St Cleer Parish Council maintained proper accounting records throughout the year and that all accounting transactions had been accurately recorded in the XERO Accounting system.

2. Ascertaining whether the creditors system is fit for purpose

- Various documents were reviewed including the Financial Regulations and the minutes of Full Council Meetings for 2025/26.
- Conversations were supported by documentation review and sample testing to confirm that controls / processes in place were working effectively.

2.1 We can confirm that St Cleer Parish Council operated an effective creditors system and that the Financial Regulations were updated in April 2025.

2.2 During our sample testing, we selected a set of random transactions for review. All sampled transactions were supported by invoices, appropriate approval, had been minuted at Full Council meetings and VAT had been correctly accounted for.

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2.3 The Council operated one purchase card, held by the Clerk. We reviewed purchase card transactions for the previous twelve months and confirmed that the card limit (£500) had not been exceeded. The three transactions in our sample appeared appropriate and were supported by invoices or receipts.

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

- Conversations were held with the Parish Clerk/ RFO to understand processes and controls in place surrounding St Cleer's risk management arrangements.
- Various documents were reviewed including the Corporate Risk Assessment, the Internal Control Policy and the Council's Insurance Policy.

3.1 We can confirm that the Council reviewed and approved the Corporate Risk Assessment for 2025-26 in March 2026.

3.2 The Council held appropriate insurance cover, including cover for cyber security incidents.

3.3 The Internal Control Policy published on the Council's website was approved by the Full Council in January 2026.

3.4 The Council had carried out internal control checks on a monthly basis, with completion reported to Full Council. Our review of the minutes confirmed that this had taken place consistently throughout the year.

4. Establishing whether adequate budgetary controls are in place

- Discussions were held with the Parish Clerk/RFO.
- We reviewed the budget monitoring reports produced by the Parish Clerk/RFO
- We reviewed the minutes for St Cleer's Finance Committee and Full Council.

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- 4.1 The process for setting the budget for 2025/26 was satisfactory, and budget monitoring reports were presented to the Finance Committee and Full Council on four occasions during the year.
- 4.2 At year end, the Council held £29.3k in General Reserves and £103k in Earmarked Reserves.
- 4.3 Overall, the Council's balances, as shown in Table 1, decreased by £19,646 during the year. This was primarily due to spending from earmarked reserves. It was noted that the original budget did not include Local Maintenance Partnership (LMP) funding. In addition, bank interest received during the year exceeded the amount estimated in the budget.

Table 1 Comparison of Budget to Actual Outturn for 2025/26

	Budget	Actual Outturn
	£	£
Income	78,960	98,237
Expenditure	105,617	117,973
Deficit	26,657	19,646
Reserves B/f	151,674	151,674
Reserves C/f	125,017	132,028

- 4.4 The Council's Reserves Policy stated that the Council aimed to hold a general reserve equivalent to approximately six months' net revenue expenditure (around £50k). As of 31 March 2026, General Fund Reserves totalled £29,331.40 and were therefore below this target. This position reduces the Council's financial resilience and increases the risk that unexpected cost pressures, cashflow timing issues, or unplanned expenditure would need to be managed through in-year corrective action. We note the Clerk's view that, due to weaknesses in budgeting in previous years, restoring General Fund Reserves to the £50k target was likely to take a couple of years.

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4.5 Satisfactory progress has been made in respect of the two agreed management actions from the previous report (below) relating to improvements in budget monitoring and adopting a General Reserves Policy.

Finding (report issued in May 2025)	Agreed Management Action	Testing Outcome (May 2026)
<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>	<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.</p>	<p>Budget monitoring reports were produced and presented to both the Finance Committee and Full Council four times during the year (July 2025, September 2025, January 2026 and April 2026).</p>
<p>St Cleer Parish Council does not have a general reserve policy.</p> <p>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.</p>	<p>Finance and General Purposes Committee recommended a policy to Full Council to be adopted on 25 May 2025</p>	<p>Full Council minutes confirm that the Reserves Policy was adopted in May 2025.</p>

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5. Establishing that income is appropriately accounted for.

- Discussions were held with the Parish Clerk/RFO.
- Sources of income were identified, and we ascertained whether income due had been fully received and accounted for.

5.1 The Council had effective controls in respect of the precept, allotment rents and water charges, and the collection of income relating to the use of the Pavilion and Sports Pitches. All expected income from the precept and allotment rents and water had been fully received and properly accounted for.

5.2 During the year, the Council received £6,658.32 from the use of the Pavilion and Sports Pitches.

5.3 The Council issued invoices for the use of the Pavilion and Sports Pitches. All invoices issued were paid in full by 31 March 2026.

5.4 The Council received additional funding totalling £14,233.52 from Cornwall Council in respect of the Local Maintenance Partnership (LMP).

6. Establishing that petty cash is appropriately controlled.

6.1 St Cleer Parish Council did not hold any petty cash.

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

- Conversation with the Clerk/RFO highlighted the process for Payroll review and approval, this was supported through documentation review.

7.1 St Cleer had effective processes in place to ensure that salaries paid to employees are accurate and that allowances claimed by Members were appropriate. During the year, the Council had one employee, the Clerk, who was employed for 20 hours

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per week, with provision for up to an additional 5 hours subject to approval of the Chair of the Council. The arrangements for accounting for payroll costs were appropriate.

7.2 No regular allowances were paid to Members during the year. However, Councillors were reimbursed for expenses incurred, and all such payments were appropriately approved by Full Council.

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

- Conversation with the Clerk/RFO.
- Asset registers were reviewed and compared with the valuation reflected in the accounting statements.

8.1 St Cleer Parish Council had effective processes in place for the management and valuation of assets, with asset values stated on replacement cost basis. The Council purchased seven grit bins and three defibrillators during 2025/26. We confirmed that these assets had been appropriately added to the asset register, which was published on the Council's website. The Council had no current financial investments.

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

- Monthly bank reconciliation and associated documents were evidenced and reviewed for effectiveness.

9.1 St Cleer Parish Council had effective processes in place for the administration of its bank accounts. The Council held four bank accounts, two with Unity Trust Bank and two with HSBC Bank. The Council's bank mandate was updated during the year.

9.2 Access to create and authorise BACS payments on the Unity Trust Bank current account were controlled and there was an appropriate segregation of duty between input and authorisation of payments.

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9.3 Bank reconciliations were completed on a regular basis throughout the year.

9.4 The bank balances as at 31 March 2026 (year-end) agreed to the Accounting Statements on the AGAR.

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

- Accounting statement documents were reviewed to ensure accuracy.

10.1 The accounting statements were prepared on a receipts and payments basis, agreed to the cashbook and were supported by an adequate audit trail.

11. Publication arrangements.

- Information and documentation published on St Cleer Parish Council's website was reviewed to verify whether publication arrangements and digital and data protection requirements had been complied with.

11.1 The Council published information on a free to access website, including the Financial Regulations, Standing Orders, Asset Register and Corporate Risk Assessment. All of the documents had been reviewed and approved during the 2025/26 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 2024/25 AGAR.

11.3 The 2025/26 financial year publication requirements relating to Section 1 and Section 2 of the 2025/26 AGAR were approved at the Council meeting held on 22 April 2026, which was well in advance of the expected deadline for publication of 1 July

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2026.

11.4 Based on the work completed, we conclude that the Council was broadly compliant with applicable digital and data protection requirements and demonstrates appropriated basic good practice for a small parish council. Policies and public-facing privacy information were in place, the Council maintained a current Information Commissioner's Office (ICO) registration, used council-controlled systems for official business, and had implemented baseline controls to manage common data protection and cyber security risks.

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The Clerk/RFO accepts all of the comments made by the internal auditor and is satisfied that a full and complete audit has taken place.

Anita James (BSc CiLCA MAAT) Clerk and RFO (Maternity cover)

18 May 2026

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
	Medium		
1	<p>St Cleer Parish Council adopted a Reserves Policy in May 2025 which stated that the Council aimed to maintain a general reserve equivalent of approximately six months net revenue expenditure (around £50,000).</p> <p>As of 31 March 2026, General Fund Reserves totalled £29,331.40 were therefore below the target. This position reduces the Council's financial resilience and its ability to manage unexpected cost pressures, cashflow timing issues, or unplanned expenditure without needing to take reactive in-year decisions (e.g. use of earmarked reserves, service reductions, or an increased precept).</p> <p>The Council should consider a planned approach and timeframe to restore General Fund Reserves to the target level, or formally revising the target if it is no longer considered appropriate.</p>	<p>The Clerk/RFO will recommend to the Council the need to build up the general reserves, thus fulfilling the Council's reserves policy.</p> <p>The Clerk/RFO will help to achieve this by closely monitoring expenditure against budget in 2026/27 and being conscious of planned expenditure in the 2027/28 budget setting and subsequent precept request.</p>	<p>Clerk/RFO June 2026</p> <p>Clerk/RFO October 2026</p>

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

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Report Distribution

Draft Report:

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

Anita James, Temporary Clerk & RFO, St Cleer Parish Council

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

Final Report (in addition to above):

Cllr John Prinn, Chair St Cleer Parish Council