Internal Audit Report 2025/26

PARISH COUNCIL	**Rackheath Community Council**
INTERNAL AUDITOR	Faye Haywood, CMIIA, CIA
RFO	Aileen Beck
DATE	June 2026

Overview

The Accounts and Audit Regulations 2015 require parish councils to undertake an effective internal audit each year to review the adequacy and effectiveness of their systems of internal control, including risk management, governance, and financial procedures.

Approach

The internal auditor has undertaken a risk-based assessment of the Council's key systems and controls to inform the audit approach for 2025/26. The review has been designed to provide independent assurance on the adequacy and effectiveness of the Council's internal control framework, including financial management, governance, risk management, and compliance with relevant legislation and proper practices.

Audit work has been aligned to the assertions set out in the Annual Governance and Accountability Return (AGAR) and includes consideration of emerging areas of risk, including digital governance and data protection.

Observations and management action plan (MAP)

Key observations requiring action from the Parish Council are included within the table below with an action owner and timeframe.

Ref	Observation	Recommendation	Agreed Action	Owner and timeframe
Where a No or Not Covered has been determined on the AGAR				
1. Section F	**Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT appropriately accounted for.** Rackheath Community Council does not maintain petty cash. This section has therefore been marked as 'Not Covered'.	None	n/a	n/a
Other Observations				
2.	**The Council has formally adopted standing orders and financial regulations.** The Council adopted revised Financial Regulations in March 2026 based upon the current NALC model. The Regulations incorporate provisions relating to budgeting, procurement, banking, electronic payments, internal control, audit, asset management and risk management and are considered to be consistent with current JPAG guidance and proper practices. Whilst Standing Orders were reviewed in March 2026, procurement references remain based on superseded legislation - Public Contracts Regulations 2015.	The Council to consider updating procurement references at the next scheduled review.		
3.	**The Council has a Risk Management Policy, and regular risk assessments are undertaken and reviewed by Councillors.** The Council maintains a comprehensive Risk Assessment and Management Policy covering financial, governance, operational and compliance risks. The document was reviewed and approved by Council in December 2025 and includes consideration of key areas such as financial management, insurance, staffing, legal compliance, data protection, physical assets and community facilities. Opportunities exist to further enhance the assessment through more explicit consideration of emerging cyber security risks and the controls in place to mitigate them.	Council to consider enhancing the existing risk assessment to more explicitly consider emerging cyber security risks and the controls in place to mitigate them.		

Ref	Observation	Recommendation	Agreed Action	Owner and timeframe
4.	**Insurance arrangements are reviewed periodically and remain in place.** The Council maintains appropriate insurance arrangements covering its activities and assets; however, cash balances held at year end slightly exceed the Council's fidelity guarantee insurance of £1 million.	The Council should review fidelity guarantee cover annually against expected peak cash balances to ensure insurance protection remains adequate.		
5.	**Internal Audit reports are published, and recommendations are tracked and implemented.** Internal Audit reports are published on the Council's website. Review of prior year recommendations confirmed that actions have generally been implemented or considered by the Council. The recommendation raised in 2024/25 regarding the management of significant reserves remains only partially implemented, with the majority of funds continuing to be held with a single financial institution.	Given the level of reserves held, the Council should ensure that its banking arrangements are reviewed regularly and that decisions regarding the concentration of funds with a single institution, and any associated risks, are formally considered and recorded within the minutes.		

Conclusion

The internal audit for the 2025/26 financial year identified that Rackheath Community Council generally has appropriate systems and controls in place to support compliance with the Accounts and Audit Regulations 2015 and the expectations set out within the JPAG Practitioners' Guide. A small number of opportunities to further strengthen governance and transparency arrangements have been identified, primarily relating to the review of fidelity guarantee insurance cover, publication of expenditure information in accordance with transparency requirements, and the ongoing review and documentation of treasury management decisions in respect of significant reserve balances. No significant control issues were identified during the audit.

I would like to thank the Parish Clerk for their assistance, cooperation and provision of information during the course of the internal audit.

Disclaimer

This internal audit has been carried out in accordance with the requirements set out in the Joint Panel on Accountability and Governance (JPAG) Practitioners' Guide and is based on the evidence made available. The audit provides an independent and reasonable assessment of the systems of internal control and financial governance in place during the financial year. It should be noted that the internal audit is not an exhaustive review of all transactions and activities, nor does it constitute a detailed forensic or investigative audit. The responsibility for ensuring the council's compliance with legislation, proper accounting, and effective financial management remains with the members of the council.

Appendix 1- Internal Audit Assessment

	Green - Controls in place and working effectively.
	Yellow - Minor weakness or inconsistency identified, improvement recommended to strengthen governance.
	Amber - A control gap or compliance issue exists. Action needed to mitigate risk, though not urgent or high impact.
	Red - Significant issue or failure of control. Immediate attention required to ensure compliance or mitigate serious risk.

Area	Assessment	RAG	Observations
Bookkeeping	*The cash book is maintained and up to date*		The cash book is maintained using the Scribe accounting system and was found to be up to date at the time of audit. Sample testing confirmed transactions were appropriately recorded.
Standing Orders	*The Council has formally adopted standing orders and financial regulations*		The Council adopted revised Financial Regulations in March 2026 based upon the current NALC model. The Regulations incorporate provisions relating to budgeting, procurement, banking, electronic payments, internal control, audit, asset management and risk management and are considered to be consistent with current JPAG guidance and proper practices. Whilst Standing Orders were reviewed in March 2026, procurement references remain based on superseded legislation - Public Contracts Regulations 2015. The Council may wish to consider updating procurement references at the next scheduled review.
	An RFO has been appointed with responsibilities in accordance with relevant legislation and guidance.		The Clerk has been formally appointed as Responsible Financial Officer.
Financial Procedures	*Purchases represent best value for money and transparency and fairness in the process can be demonstrated. i.e. quotes and tenders have been evaluated in accordance with agreed procedures.*		Sample testing confirmed that expenditure reviewed was generally supported by appropriate approvals and adequate supporting documentation, in accordance with the Council's Financial Regulations.

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Area	Assessment	RAG	Observations
Financial Procedures	*Payments in the cashbook are supported by purchase orders and invoices. These have been authorised and minuted.*		Sample testing confirmed that payments recorded within the cashbook were supported by appropriate invoices and supporting documentation, with expenditure appropriately authorised and evidenced within Council minutes.
	VAT payments have been identified, recorded and claimed.		Review of the accounting records confirmed that VAT claims had been submitted and corresponding refunds from HMRC were recorded within the accounting system.
Budgetary Control	*The council has prepared an annual budget in support of its precept and this has been approved.*		The Council prepared and approved an annual budget in support of the 2025/26 precept. Budget setting and financial assumptions were discussed within Council minutes.
	The precept has been calculated from the budget and approved by the parish council.		The precept was approved by the Council and was supported by the approved budget for 2025/26.
	Budget against actual expenditure has been regularly reported to council and significant budget variances have been explained and reported.		Bank reconciliations and financial reports were presented during the year, with a review of actual expenditure against budget.
Income Controls	*The precept received agrees to the Council Tax authorities' notification.*		The precept received during 2025/26 was agreed to the published Parish Precept Schedule and Council approval minutes.
	Cash and near cash equivalents are adequately managed and secured.	n/a	Rackheath Community Council does not maintain petty cash.

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	Pavilion and facility hire income is supported by booking records and appropriately recorded.		Hire income reviewed appeared to be appropriately recorded within the accounting records.
Payroll	*Employees have contracts of employment with clear terms and conditions.*		Testing confirmed that employment arrangements are formally documented.
	Payroll payments are appropriately approved, and statutory payroll requirements are complied with.		Sample testing confirmed that salary payments reviewed during the audit complied with applicable National Minimum Wage/National Living Wage requirements, and that PAYE/NIC deductions appear to have been appropriately applied.
	Auto-enrolment/pension obligations are being appropriately considered. Pension contributions have been regularly reconciled with payroll records and pension provider statements to verify accuracy.		Auto-enrolment obligations appear to be appropriately considered. Testing confirmed that pension deductions recorded within payroll reports were consistent with contributions reported by NEST and that pension payments were being made regularly.
	Other payments to employees i.e. expenses are reasonable and approved by council.		Sample testing confirmed that employee expense payments reviewed during the audit were reasonable and appropriately approved by the Council.
Assets and Liabilities	*The Council maintains an Asset Register which is reviewed and reconciled to the AGAR fixed asset disclosure.*		Testing confirmed that the asset register reconciled to the AGAR fixed asset disclosure. The register was available for review and appeared to be up to date.
	Additions and disposals have been formally minuted.		A sample of asset additions identified from council minutes was traced to the asset register. Assets reviewed had been formally approved by Council and were appropriately recorded at cost within the register. No asset disposals were identified during the period under review.

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Bank Reconciliation	*Regular and timely bank reconciliations have been completed for each account, and these are reported to Council.*		Sample testing confirmed that bank reconciliations had been regularly prepared and reported to the Council throughout the year
	Reconciliation discrepancies are identified and resolved.		No reconciliation discrepancies were identified from the sample of reconciliations reviewed during the audit.
Financial Accounts Reporting	*Financial statement balances match to cashbook records.*		Cashbook balances were found to reconcile to supporting accounting records. Year-end Income & Expenditure adjustments have been processed within the accounting records.
	Accounts have been prepared using the Income and Expenditure method.		The Council has transitioned to preparing its accounts on an Income & Expenditure basis. Review of the year-end adjustment schedule confirmed that appropriate accounting adjustments, including prepayments, debtors and receipts in advance, had been considered and recorded.
Risk Management	*The Council has a Risk Management Policy, and regular risk assessments are undertaken and reviewed by Councillors.*		The Council maintains a comprehensive Risk Assessment and Management Policy covering financial, governance, operational and compliance risks. The document was reviewed and approved by Council in December 2025 and includes consideration of key areas such as financial management, insurance, staffing, legal compliance, data protection, physical assets and community facilities. Opportunities exist to further enhance the assessment through more explicit consideration of emerging cyber security risks and the controls in place to mitigate them.

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Insurance	*Insurance arrangements are reviewed periodically and remain in place.*		The Council maintains appropriate insurance arrangements covering its activities and assets; however, cash balances held at year end slightly exceed the Council's fidelity guarantee insurance of £1 million. The Council should review fidelity guarantee cover annually against expected peak cash balances to ensure insurance protection remains adequate.
Digital Governance & Data	*Digital governance arrangements are in place, including use of official email, website compliance, and data protection controls.*		The Council has implemented Data Protection, Records Management and IT policies to support the management of information governance risks. Testing confirmed the use of official council email addresses, ICO registration and the publication of relevant governance documentation.
Reserves Policy	*The reserves policy has been reviewed and reported to the council. The level and rationale for reserves is transparently published.*		The Council has adopted a Reserves Policy and Investment Strategy which sets out the purpose and management of reserves. The level of reserves and supporting rationale are reported to members and published transparently.
Governance & Compliance	*Key governance policies are in place, reviewed in line with stated cycles, and reflected accurately on the Council's website.*		Key governance policies were evidenced as in place, reviewed in accordance with stated review cycles, and appropriately published on the Council's website.
	Freedom of Information and Transparency		The Council maintains a Freedom of Information Publication Scheme which was reviewed in October 2025 and generally reflects the information made available to the public.
	Health and safety inspections are carried out for Council-managed facilities and assets.		The Council has established arrangements for the inspection of play areas, defibrillators, fire safety equipment and other Council assets. Inspection schedules and supporting templates were available for review.

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Governance & Compliance	*The Council has adopted and regularly reviews its Code of Conduct.*		The Council has adopted the LGA Model Councillor Code of Conduct, which was approved in February 2023. The Code is considered appropriate and aligned to recognised sector good practice.
	Minutes for the whole year are available on the website.		A full set of Council minutes for the period reviewed was available on the Council's website and reviewed during the audit.
	Payments of over £100 are detailed on website.		Clerk and Assistant Clerk salary and pension payments exceeding £100 were included within the published payments schedule in the April 2025 minutes; however, the values were redacted. The Transparency Code for Smaller Authorities requires publication of individual items of expenditure exceeding £100. The Council should ensure that future expenditure disclosures comply with transparency requirements
	Chair declaration of office on agenda.		Council minutes evidenced the appointment of the Chair and the signing of the Declaration of Acceptance of Office for the year under review.
Governance & Compliance	*Proper provision has been made for the exercise of electors' rights*		The prior year exercise of public rights was reviewed and found to be in line with statutory requirements.

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