Internal Audit Report

Council:	Dunholme Parish Council
Internal Auditor:	Lydia Hopton
Year Ending:	31st March 2026
Date of Report	06/07/2026

This internal audit has been conducted in accordance with SAPPP Practitioners' Guide - March 2025 - Section 4 'Internal Audit'. It is recommended that a council completes an intermediate mid-year audit which allows any weaknesses in governance and internal controls to be corrected during the financial year and an end-of-financial-year audit.

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-today function of the council 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 a council to detect error or fraud. This report is based on the evidence made available to me and sampling tests undertaken by me and consequently the report is limited to those matters set out below.

The council 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 further audit enquiries being raised and the external auditor issuing a qualified opinion.

Lincolnshire Association of Local Councils

Internal Audit Report.

To the Chairman of Dunholme Parish Council,

I have examined council business documents including policies, agendas & minutes, accounting and financial statements and other documents relevant to this internal audit.

I confirm that I am independent of the council, its officers and councillors and its activities and I identified no conflicts of interest to my work with this council to the best of my knowledge.

The results of this internal audit are recorded on the next page. If any part of the audit was found to be 'unsatisfactory' I have provided recommendations to improve the weakness identified.

Yours sincerely

Lydia Hopton, CiLCA, FiLCA.
Internal Auditor
Lincolnshire Association Local Councils

Date: 06 July 2026

Area of work checked	Outcome
Implementation of previous auditor recommendations	Not audited
Implementation of previous AGAR weaknesses/ recommendations	Evidence Produced
Key Governance Review	Evidence Produced
Transparency	Weaknesses identified
Accounting	Weaknesses identified
Budget	Weaknesses identified
Income Control	Evidence Produced
Bank Reconciliation	Weaknesses identified
Petty Cash	Not applicable
Asset Control	Evidence Produced
Risk Management	Weaknesses identified
General Administration	Not applicable
Proper Process/Practice	Weaknesses identified
Payroll/HR	Weaknesses identified
Information and Data Compliance	Weaknesses identified
Transaction spot checks	Not audited
Year-end process	Weaknesses identified
Allotments	Not applicable
Cemetery/burials	Not applicable
Charities	Not applicable
Community Buildings	Not applicable
Markets	Not applicable

Overall, Dunholme Parish Council has appropriate governance, financial management and internal control arrangements in place across the majority of the areas examined. A number of weaknesses and opportunities for improvement were identified; however, these do not indicate any evidence of material financial loss or systemic failure. The recommendations contained within the accompanying Internal Audit Checklist should now be implemented to further strengthen governance and internal control.

A year-end internal audit was undertaken, with no intermediate internal audit taking place.

The authority approved the Annual Governance Statement and Accounting Statements before receiving the Internal Auditor's Report. This is contrary to the expected AGAR approval sequence set out within the Practitioners' Guide.

Where areas of weakness have been identified detailed actions have been advised in the Internal Audit Checklist Document. These are summarised in the recommendations below:

Recommendations from Audit

Key Governance Review

- Share previous internal audit reports and recommendations and add AGAR internal auditor reports online with the other published annual return documentation

- Review and update governance documents to the latest model versions, ensuring they are formally adopted, dated, reviewed annually and published.
- Establish formal Terms of Reference for all committees and working groups, including an HR Committee where appropriate.
- Ensure all supporting papers and approved minutes are published promptly.

Transparency

- Improve compliance with the Transparency Code, including the Internal Audit Report, detailed Statement of Accounts and current Asset Register.
- Publish meeting background papers alongside agendas where appropriate.
- Ensure agendas and draft minutes include publication dates.

Accounting

- Continue to maintain accurate accounting records.
- Strengthen financial controls by ensuring VAT is correctly recorded on all transactions and bank reconciliations are reviewed and approved by Council.

Budget

- Continue regular budget monitoring throughout the year.
- Formally review reserves during the budget-setting process and record decisions in the minutes.
- Publish budget reports as background papers.

Income Control

- Maintain a schedule of recurring income streams and monitor receipts against expected due dates.
- Review fees and charges annually and record approval within the minutes.

Bank Reconciliation

- Present bank reconciliations to Council for approval at least quarterly rather than solely at year end.
- Ensure reconciliations and corresponding bank statements are signed as evidence of review.

Asset Control

- Review and update the Asset Register in accordance with the Practitioners' Guide.
- Record land separately, include insurance values, asset locations and Land Registry references.
- Ensure all Council land is registered where appropriate.

Risk Management

- Continue annual reviews of the Risk Register.
- Implement a Health and Safety Policy.
- Adopt an Investment Strategy

Proper Process and Practice

- Introduce a documented purchase order process.
- Ensure committee structures, delegated authority and councillor interests remain fully compliant with legislation and Council policies.

Payroll and Human Resources

- Complete employment documentation for all staff, including contracts, written statements of particulars, and job descriptions.
- Ensure compliance with workplace pension legislation.
- Continue annual appraisals and maintain training records.

Information and Data Compliance

- Complete the Council's GDPR framework by adopting a Records Retention Schedule, Subject Access Request Procedure, Data Breach Procedure and Security Compliance Checklist.
- Adopt an IT Policy and keep all information governance policies under regular review.

Year-End Process

- Ensure the Internal Audit Report is considered by Council before approving the Annual Governance Statement.
- Share all supporting evidence, including year-end bank statements, before AGAR sign off.
- Undertake an intermediate audit during the financial year.

Allotments

- No recommendations at present. Review controls if the proposed allotment project progresses.

Dunholme Parish Council

AGAR - Annual Internal Audit Report 2025-26

Explanations of 'No' Assertions to submit with the AGAR to the External Auditor

B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

During the audit, payments were found to be appropriately authorised and supported by invoices, and expenditure was approved in accordance with the Council's Financial Regulations.

Sample testing identified several transactions where recoverable VAT did not appear to have been recorded within the accounting records. Until the VAT treatment on expenditure has been reviewed, there is insufficient evidence to provide assurance that VAT has been appropriately accounted for throughout the financial year.

I. Periodic bank account reconciliations were properly carried out during the year.

Formal bank account reconciliations were not carried out and reviewed periodically throughout the financial year. Whilst the year-end reconciliation was completed and no material discrepancies were identified, the council did not demonstrate that reconciliations were prepared and reviewed at regular intervals. Regular bank reconciliations are a key internal control to provide assurance that accounting records remain accurate and complete. The council should prepare bank reconciliations at least quarterly, present them to full council for review and approval, and retain signed evidence of that approval alongside the corresponding signed bank statements.

O. The authority has complied with laws, regulations & proper practices relating to digital and data compliance.

The council has implemented a number of appropriate digital and data compliance measures, including council-owned domain email addresses, ICO registration, an Accessibility Statement, and a range of data protection policies. However, an IT Policy has not been adopted. The absence of an adopted IT Policy means the Council cannot demonstrate that it has fully implemented appropriate arrangements for the management of IT systems, cyber security, acceptable use, data storage, backup, and information security. The council should adopt a comprehensive IT Policy, based on current sector guidance, to strengthen digital governance and demonstrate compliance with proper practices.

Conclusion

The council demonstrates a generally sound framework of governance, financial management and internal control, with appropriate accounting arrangements, regular budget monitoring, effective risk management processes, and compliance with many of the statutory and governance requirements expected of a parish council. The audit found no evidence of material financial loss or significant weaknesses in the overall control environment.

Areas for improvement have been identified, principally relating to governance documentation, transparency, employment documentation, bank reconciliation procedures, digital governance, and the formal review and publication of key records. Addressing these recommendations will help to ensure:

- Full compliance with statutory requirements and proper practices.
- Stronger governance, financial oversight and internal controls.
- Improved transparency and accountability to residents.
- Continued readiness for future internal and external audits, including AGAR completion.

I would like to thank the clerk for their assistance during the audit and for providing the information requested in a timely manner. Their cooperation throughout the audit was appreciated, and I trust the recommendations contained within this report will assist the council in further strengthening its governance arrangements.

-End of Internal Auditor's Report-