



**Bishop Middleham Parish Council**

# **Internal Controls Review Report 2025-2026**

| <b>DOCUMENT CONTROL</b> |            |
|-------------------------|------------|
| Version Number          | V1-2024    |
| Adopted on              | May 2023   |
| Reviewed                | April 2026 |
| Next Review             | April 2027 |

| <b>Meeting date report reviewed</b> | <b>Signed Chair</b> |
|-------------------------------------|---------------------|
| 8 <sup>th</sup> April 2026          |                     |

## **1. INTRODUCTION**

This review reflects internal controls operating during the 2025-2026 financial year.

The Accounts and Audit Regulations 2015 require Councils to have a sound system of internal control which:

- a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- b) ensures that the financial and operational management of the authority is effective; and
- c) includes effective arrangements for the management of risk.

Councils are also required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Each financial year, an authority must conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement. The outcome of the review must be reported to an appropriate meeting of the Council.

Although the 2015 Regulations do not require a "smaller relevant body" (defined as an authority where the higher of gross annual income or expenditure does not exceed £6.5 million) to undertake an annual review of internal audit arrangements, I consider that this would be a useful part of the review of internal control and have included such a review below.

This report addresses the requirements for an annual review of internal control covering the financial year 2026/2027.

## **2. INTERNAL AUDIT**

The Accounts and Audit Regulations require a Council to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". An annual review of the effectiveness of this system of internal audit is beneficial as part of continually improving governance and accountability. The review is designed to provide sufficient assurance for the Council that standards are being met and that the work of internal audit is effective.

### **Current Arrangements**

The Council's current Internal Auditor, Mr Gordon Fletcher, was formerly Audit Manager at Easington District Council, up to its abolition, and currently provides the internal audit service for several local town and parish councils.

## **Review**

Guidance recommends that the review of internal audit covers five categories and these are addressed below.

**Scope of Internal Audit** - the Internal Auditor carries out all relevant work to enable the completion of the Annual Accountability and Governance Return (AGAR) and, as agreed with the Parish Clerk, a report is produced and any recommendations arising from the audits are discussed with the Clerk, in the form of an action plan.

**Independence** - The Internal Auditor is given access to all relevant personnel and to all reports, records and supporting documents. Reports are prepared in his name and there is no influence on any recommendations made. The Internal Auditor has no other role within the Council.

**Competence** - The Internal Auditor is a qualified internal auditor and member of the Institute of Internal Auditors, with many years experience in public sector auditing. There was no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity.

**Relationships** - The Internal Auditor operates independently within the Council, with freedom to decide his audit priorities and no influence is exerted on the outcome of the audit. The respective responsibilities of officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.

**Planning and Reporting** - The Internal Auditor arranges planning of the work with the Clerk and is available throughout the year for advice. Reports are submitted to the Clerk and to Full Council and to the external Auditors with the Annual Return.

Mr Fletcher attended the office in May 2025 and undertook audits of Creditors (accounts payable) and Income Collection and Banking for 2024/2025. In relation to creditors, recent improvements have been made to procedures which tighten controls over the payment of amounts due from the Council. The Parish Council have very little in the way of income other than the Precept, an annual donation from a local company to cover community events and an annual income from an event. Procedures for accounting for VAT were also covered.

Mr Fletcher made no specific recommendations and concluded that, for the size of the Council, internal controls are adequate.

## **3. INTERNAL CONTROL**

This review fulfils Regulation 6 of the Accounts and Audit Regulations 2015.

Internal control is the range of policies, procedures and other arrangements designed to safeguard the assets of the Council, and to reduce the chances of losses though fraud, corruption and error. Internal audit is part of internal control, and this has been reviewed in Section 2 of this report. I will now address the remaining features of internal control.

The Standing Orders, Financial Regulations and Code of Conduct are always reviewed in May at the annual meeting. Policies and procedures are reviewed as required. A list of all policies and procedures with their review dates is attached as Appendix 2.

The internal control arrangements are satisfactory bearing in mind the size of the Council and the limited capability for ensuring a division of duties.

#### **4. RISK MANAGEMENT**

##### Introduction

Another element of internal control is risk management. Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements. A risk assessment review should be undertaken at least annually.

The Council has a Risk Register in place which identifies all risks, measures currently in place to minimise the effect and any further action required. This was reviewed by the Council during the year, and is attached as Appendix 1.

#### **5. CONCLUSION**

The Council has in place satisfactory internal control arrangements and a review of all policies and procedures is completed throughout the year. The main policies and procedures (Standing Orders, Financial Regulations and Code of Conduct are always reviewed at the time of the annual meeting in May.

This report informs the Council's completion of AGAR Section 1 and confirms that the required governance and internal control arrangements operated effectively during 2025/26. The Council also acknowledges the introduction of Assertion 10 for 2025/26 and has taken steps to prepare for compliance with the new digital and data governance requirements.

#### **6. RECOMMENDATIONS**

In the light of the above assessment, I would recommend that Members accept the report on the review of internal control arrangement in place at the Parish Council.



**Report of the Parish Clerk**

February 2025