

INTERNAL AUDIT REPORT FOR BISHOPS LYDEARD AND COTHELSTONE PARISH COUNCIL 2025-26**Introduction**

This report contains a note of the audit recommendations made to Bishops Lydeard and Cotelstone Parish Council following internal audit testing on 26th September 2025 and 23rd April 2026.

The audit work has been carried out in accordance with the Internal Audit Checklist from the 2025 'Governance and Accountability for Local Councils: A Practitioners' Guide', as supplemented by the requirements of the 2025/26 IA section of the AGAR.

An internal audit covers the review of the operation of the Council's internal control environment. It is not designed to review and give full assurance over every transaction carried out by the Council. Instead, it enables the auditor, following the sample testing of a number of different types of transaction, to give an opinion as to whether or not the control objectives are being achieved across a range of financial and governance systems.

This report sets out the Internal Auditor's findings in relation to each of the 16 Internal Control Objectives from the Annual Internal Audit Report Annual Governance and Accountability Return (AGAR) Form 3. This report and the recommendations should be presented to the Full Council for approval. The Clerk should ensure that the recommendations are implemented as soon as possible, with the support of the Council.

AGAR certificate reference	Comments
A. Appropriate accounting records have been properly kept throughout the year.	Correct rollover of balances from prior year confirmed.
	A sample of transactions from the cashbook were tested to ensure they appeared as expected on bank statements. The transactions tested from the cashbook matched with corresponding bank statement transactions and with entries in Scribe.
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT appropriately accounted for.	The most recent Financial Regulations had been adopted in May 2025. All payments were supported by invoices and all expenditure was approved, in the sample tested. The process for dealing with invoices and ensuring all payments are authorised is robust and follows good practice.
	VAT reclaims had been submitted quarterly and had been accounted for appropriately. This frequency is appropriate as it ensures that the Parish Council regularly claims back funds that can be used for the benefit of the Parish as a whole.

<p>C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.</p>	<p>The Council's risk assessment document was appropriately approved by the Full Council at its September 2025 meeting. It is noted that a separate risk assessment document was produced to cover the MUGA and was approved at the same time. The MUGA should be referenced in the core risk assessment document for completeness, even if this is simply a reference to the separate document. This is because the ownership of such public assets may impact on the Council's finances in terms of any insurance claims due to injury or damage to the assets.</p>
	<p>The Clerk has access to the online bank accounts and it was noted that the Clerk is now the administrator for bank accounts, which is in line with Financial Regulation 7.1 of the 2025 version of the regulations in place at the time of the internal audit.</p>
<p>D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.</p>	<p>The precept was approved and adopted by the Full Council and not a committee.</p>
	<p>Current year budget reports have been submitted to the Council on a monthly basis. This is appropriate considering the number of projects the Parish Council is dealing with at the moment and a significant improvement on the half-yearly frequency reported at the last internal audit.</p>
	<p>Earmarked Reserves were presented to the Council at its February 2026 meeting. The minutes show that the topic of a traffic improvement scheme was allowed to be discussed here, which may be appropriate, due to the earmarked reserve headings. However, the minutes do not state whether the Council had reviewed the earmarked reserves. It is possible that the deviation into a traffic scheme discussion diverted attention from this. Minutes must clearly state that earmarked reserves have been reviewed and any changes approved. Meetings must be conducted in such a way that the agenda items are dealt with, regardless of any distractions.</p>
	<p>The 2025-26 precept received in the accounts matched the prior year submission form to the relevant authority.</p>
<p>E. Expected income was fully received based on correct prices, properly recorded and promptly banked; and VAT appropriately accounted for.</p>	<p>The Council does not look after an allotment site, hall or burial ground and does not issue invoices for any other activities, so there were no aged debtors to review.</p>
	<p>The council has responsibility for the library and work is underway to implement a lease between the Council and the owners of the library building. It was noted that there had been</p>

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	a delay to achieving this due to a probate issue with the late owners.
	The council receives income from library fees, charges and fines. These are recoded by library staff and are reported to the Clerk regularly. The Clerk then reports this income to the Council at the next available meeting.
F. Petty Cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for	NOT COVERED - The Council does not hold any petty cash.
G. Salaries to employees and allowances to members were paid in accordance with the authority's approvals, and PAYE and NI requirements were properly applied.	It was noted that the Clerk now has the NALC model contract of employment in place for his role.
	No allowances have been paid to members.
	Wage slips were supplied. Hours worked over the 20 hours in the Clerk's contract of employment are recorded separately on wage slips so it is possible to determine that gross pay is calculated correctly. Income tax and national insurance are calculated correctly.
	An appropriate tax code has been applied to the Clerk's salary.
	The Council uses HMRC Basic Tools to submit payroll information to HMRC, which is appropriate.
	Income tax and national insurance are calculated correctly in the sample tested.
	The current Clerk does not pay into a parish council pension scheme. As such, there were no contributions to review. The Council must ensure that there is a pension scheme in place, whether any employees are paying into it or not.
H. Asset and investment registers were complete and accurate and properly maintained. This section/assurance should be extended to include loans to or by the authority	The Council maintains a formal fixed asset register and updates it to record new assets.
	There were no assets of high value that required physical inspection.
	The Clerk is using the "Asset Register" function in Scribe and has presented the register to the Council at its March 2026 meeting.

	Additions and disposals are tracked on the fixed asset register. It is noted that the new Clerk has reviewed the asset register to confirm and include any additions or disposals.
	The value of assets on the fixed asset register matched the value entered in the AGAR section 2, line 9 equates to the 2024-25 value, adjusted for any acquisitions or disposals.
	Insurance is in place and the assets listed match the entries on the Fixed Asset Register.
	The Council does not hold any accounts with 12-month terms or longer. However, they have a CCLA account with favourable interest rates, where the bulk of the remaining CIL monies have been deposited. The Council put in place an Investment Policy in October 2025 and reviews the document each year.
	The Council is not in receipt of any loans and has not made any loans to local bodies.
I. Periodic bank account reconciliations were properly carried out during the year.	The Clerk presents bank reconciliations to the Council at each Full Council meeting, which is an increase in frequency from the previous quarterly reporting. Monthly reporting of bank reconciliations is appropriate because of the number of transactions and the high level of CIL funding held.
	The year-end bank reconciliation is accurate and matches bank balances in the AGAR section 2, line 8.
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	The Council's turnover does not exceed £200,000 and accounts are prepared on a receipts and payments basis, as appropriate.
K. If the authority certified itself as exempt from a limited assurance review in the prior year, it met the exemption criteria and correctly declared itself exempt.	NOT COVERED – Turnover exceeds £25,000.
L. The authority publishes information on a free to access website / web page, up to date at the time of the internal audit in accordance with the relevant legislation	The Council publishes all required documentation on its website.

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M. The authority, during the previous year, correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.	This was published but it was not possible to determine the date of posting onto the website.
N. The authority complied with the publication requirements for the prior year AGAR	Confirmed.
O. The authority has complied with laws, regulations & proper practices relating to digital and data compliance.	The Council has a generic email address in place for the Clerk. Councillors have council-specific email addresses and do not use their private email addresses for Council business.
	Relevant policy documents are published on the Council's website to comply with the requirements of the Freedom of Information Act 2000 and the Transparency Code for Smaller Authorities.
P. Trust funds (including charitable) - the Council met its responsibilities as a trustee	NOT COVERED – The Council is not a trustee of any charity.

Explanation of “Not covered” and “Not applicable” responses

- F – The Council does not hold any petty cash.
- K – The Council has turnover of over £25,000, so is not eligible to exempt itself from external audit.
- P – The Council is not a trustee to any charities

Recommendations and Action Plan

Recommendation no.	Detail	To be completed by	Date completed
C.1	Risk Management: The MUGA and other outdoor spaces must be added to the main Risk Assessment document. The risks must be identified and rated and control measures agreed. This document must be explicitly approved by the Full Council.	Parish Clerk	
E.1	Library lease: A formal lease should be drawn up between the Council and the owner of the library premises as	Parish Clerk	

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	soon as any probate matters have been finalised.		
G.1	Pension Scheme: The Council must ensure that it has set up a pension scheme for employees, whether or not they are paying into the scheme. The Clerk should contact the Pensions regulator to ensure that all statutory reporting is being carried out in terms of registering a pension scheme..	Parish Clerk	

Please present this report to the Parish Council at the next available meeting so it can be formally noted.

Feel free to contact me if you have any questions or queries.



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