

# **Internal Audit Report for Langstone Community Council**

## **For the Year Ending 31 March 2026**

### **Section 1 – Appropriate books of account have been properly kept throughout the year**

I am mostly satisfied that the requirements of this test have been met.

#### **Findings**

The accounting records were compiled and presented in a timely manner and show compliance with record-keeping standards. Cashbooks and bank reconciliations have been presented to members of the Council's Policy and Finance Committee and the full Council on a quarterly basis, and have been approved against bank statements.

#### **Recommendations**

- Ensure that cashbooks and bank reconciliations are presented at least quarterly to meetings of the Policy and Finance Committee or full Council.
- Continue to maintain the system whereby only payments made are recorded in the cashbook, ensuring the bank balance reconciles with the Unity Bank statement each month.

### **Section 2 – Financial Regulations have been met; payments were supported by invoices, expenditure was approved, and VAT was appropriately accounted for**

I am partially satisfied that the requirements of this test have been met.

#### **Findings**

Financial Regulations for the Council were significantly changed during the year, creating uncertainty regarding which version was in force at any given time. No summary of changes was appended to newer versions.

All payments were supported by invoices and made on time; however, invoices marked as paid did not always include the minute reference for the agreed payment, as is best practice.

VAT for some applicable transactions had not been accounted for or reclaimed.

Where a suspension of Financial Regulations (for expediency's sake) was recorded in the minutes, the record of members voting for the suspension was not accurately maintained.

### **Recommendations**

- VAT receipts should be requested from suppliers so that purchases can be recorded accurately and VAT reclaimed.
- Paid invoices should be included with the bank statement in which they are recorded; any outstanding invoices should be carried forward to the next meeting.
- The corresponding minute page and folio numbers should be included in cashbook entries and noted on the bank statement for ease of cross-checking.
- Totals on invoices should be checked against the minutes, spreadsheet, and bank statements for accuracy.
- Money due to a supplier or employee must not be paid to a third party unless mandated by a court; payments should be made directly to the person or company involved.

### **Section 3 – The body assessed significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these**

I am not satisfied that the requirements of this test have been met.

### **Findings**

The Council does have a risk register in place, but it was only drawn up in March 2026. The previous register was dated 2021, with no updates between the two. The Council has committed to maintaining the register, which is now a standing item on LCC Council agendas.

### **Recommendations**

- Update the risk register regularly and ensure periodic reviews to confirm that identified risks remain relevant.
- When new risks arise during the year, update the register promptly.

### **Section 4 – The annual precept/levy/resource demand requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored, and reserves were appropriate**

I am satisfied that the requirements of this test have been met.

## **Findings**

The 2024/25 budget was used as the starting point for preparing the annual precept demand. Members held several meetings to discuss budget priorities and implications, and throughout the year monitored the budget versus actual expenditure on a quarterly basis.

## **Recommendations**

- It is generally recommended that councils maintain general reserves between 25–100% of gross expenditure, depending on the size and commitments of the Council.

### **Section 5 – Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT appropriately accounted for**

I am satisfied that most requirements of this test have been met.

## **Findings**

LCC does not have income streams other than the precept, VAT, and occasional grants or donations.

### **Section 6 – Petty cash payments were properly supported by receipts; expenditure was approved and VAT appropriately accounted for**

This test is not applicable, as the Council does not use petty cash.

### **Section 7 – Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied**

I am not satisfied that the requirements of this test have been met.

## **Findings**

The current Clerk to the Council and the previous interim Clerk were paid on a consultancy basis. As statutory officers of the Council, this should not have been the case; the Council should have been responsible for payroll, even where earnings were within the personal allowance.

## **Recommendations**

- All payments to the Clerk should be processed through HMRC's PAYE Toolkit or via external payroll services, even if there is no tax or NI liability. This will ensure an audit trail of payments and accurate calculation of PAYE and NI.

## **Section 8 – Asset and investment registers were complete, accurate, and properly maintained**

I am mostly satisfied that the requirements of this test have been met.

### **Findings**

The Council's asset register has been updated at least annually; however, it has not been approved by the full Council and has only been used internally, not shared publicly. While the Council maintains a separate savings account and records interest income appropriately, it does not have a formal investment strategy.

The Council has full insurance in place.

## **Recommendations**

- Members should take a full inventory of Council assets and produce an up-to-date register.
- Photographs of assets should be kept on file in case an insurance claim is required.
- Ensure all policy conditions are adhered to.
- Keep contact and insurance details up to date.
- Retain a copy of the insurance policy with the asset register for ease of reference.

## **Section 9 – Periodic and year-end bank account reconciliations were properly carried out**

I am satisfied that the requirements of this test have been met.

### **Findings**

Regular bank reconciliations and cashbooks were presented to the Council's Policy and Finance Committee, and approval was recorded in the minutes.

## **Recommendations**

- Cashbooks and bank reconciliations should be completed at least quarterly and reported at the next meeting.

### **Section 10 – Accounting statements prepared during the year were on the correct accounting basis, agreed with the cashbook, supported by an adequate audit trail, and debtors and creditors were properly recorded**

I am satisfied that the requirements of this test have been met.

## **Findings**

Accurate statements were presented throughout the year to members in an audit-ready format. Statements were agreed against the cashbook by signatories and made available to all members and, where requested, to the public. Where plenary powers were granted, this was minuted.

## **Recommendations**

- Statements should be produced at least quarterly and supported by clear accounts and an audit trail from minutes to invoices, cashbook, and bank statements.
- Cashbooks should be presented quarterly and approved in line with regulations.
- Exceptional expenses should be agreed before payment; an email trail will suffice for emergency works.
- Adequate time should be allowed for scrutiny of accounting statements before approval at the next meeting.

### **Section 11 – Trust funds**

Not applicable.

## **Conclusion**

Over the past twelve months, Langstone Community Council has demonstrated significant improvement in its internal control environment. The introduction of quarterly financial reporting, enhanced audit trails from minutes to invoices, and consistent scrutiny of accounting statements have strengthened transparency and accountability.

The Council's commitment to timely review and approval of cashbook entries, alongside the adoption of clear procedures for exceptional expenses, reflects a proactive approach to governance and compliance. These developments mark a notable progression from previous audit cycles, showing a maturing financial management framework and a culture of continuous improvement.

While the Council has made commendable progress, there remain opportunities to further strengthen internal controls. Continued emphasis should be placed on formalising documentation for expenditure to ensure full transparency and compliance. The Council could also benefit from implementing a standardised review checklist for quarterly financial statements to maintain consistency and reduce the risk of oversight. Additionally, expanding training for members on financial governance and audit procedures would help sustain the improvements achieved. The implementation of formal PAYE policies should remain a key focus going forward.

**Alan Jones**

**May 2026**