CHIPCHASE MANNERS

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Our Ref: CSG

The Clerk
Potto Parish Council
[By email]

11 June 2026

Dear Sirs

Potto Parish Council
Internal Audit: Year Ended 31 March 2026

Executive Summary
Following completion of our internal audit we enclose our report for your attention and presentation to the Council.

The audit was conducted in accordance with current practices and guidelines.

An internal audit does not require that all transactions are checked, rather that transactions are tested on a sample basis where this is appropriate.

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. Each section sets out the work undertaken and is concluded with an opinion as to whether the assertion has been met or not.

The AGAR can be submitted to the external auditor without amendment.

Regulation
The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 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."

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the parish council on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

The function of an internal audit is to test and report to the parish council on whether its specific system of internal control is adequate and working satisfactorily.

The internal audit report should therefore be made available to all members to support and inform them when they are considering the parish council's approval of the annual governance statement.

Independence & Competence
The internal audit was conducted by Christopher Gorman, FCA, FCCA of Chipchase Manners, Chartered Accountants. We confirm we are independent from the management of the financial controls and procedures of the parish council and that the internal auditor has no conflicts of interest with the parish council, nor do they provide any management or financial assistance to the parish council.

The internal auditor is a qualified practicing accountant and a registered statutory auditor.

Engagement Letter
An engagement letter was issued on 8 June 2026 covering the 2025/26 internal audit assignment.

Planning & Inherent Risk Assessment
Our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

Testing will be carried out on a sample of data to encompass the period of the parish council year under review.

Contents

A. BOOKS OF ACCOUNT

Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

The parish council maintains its financial records using Excel. Given the size of the parish council, and the small number of transactions in the year, the use of Excel is an appropriate and cost-effective method of maintaining the parish council's financial records.

We make no recommendation for changes in this system.

We tested opening balances as at 1/04/2025 and confirmed they agreed back to the accounts for 2024/25.

Section Conclusion

The control assertion of "*Appropriate accounting records have been properly kept throughout the financial year.*" has been met.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS

Internal audit requirement

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

The parish council's financial regulations are set out in a document dated 20 February 2025 which is available on the website of the parish council.

The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to council.

Minutes are uploaded to the council website on a timely basis.

The minutes show authorisation of payments lists in accordance with the parish council's regulations.

All payments for services/goods in 2025/26 have been supported by invoices, no sampling was required in this instance given the small number of payments made in the 2025/26 year.

Costs are recorded inclusive of VAT with a claim for a VAT refund as an organisation not registered for VAT filed on 13 April 2026.

Cheques must be signed by two signatories.

Section Conclusion

The control assertion "*This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.*", has been met.

C. RISK MANAGEMENT & INSURANCE

Internal audit requirement

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

The parish council undertakes a risk assessment that covers operational and financial risks, the parish council's risk management strategy is set out in a document dated February 2025 which is available on the parish council's website.

The parish council reviews its insurance requirements as part of the renewal process.

Section Conclusion

The control objective of "*This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.*" has been met.

D. BUDGET, PRECEPT & RESERVES

Internal audit requirement

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

The budget for 2025/26 was appropriately prepared and approved by the parish council, clearly identifying the level of precept required for the year. The precept income increased to £9,000 in the year from £8,500 in the previous year.

We confirmed that the precept recorded in the accounting records agrees to the approved precept requirement and the amounts notified by North Yorkshire Council.

The reserves held at 31 March 2026 appear adequate for a parish council of this size.

Section Conclusion

The control objective of "*The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.*"has been met.

E. INCOME

Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

The parish council has precept, VAT refund income and interest income.

The precept income, received in two instalments during the year, has been verified against remittance advices from North Yorkshire Council and confirmed to match the agreed amounts recorded in the minutes of prior year meetings.

The council does not have any debtors.

Section Conclusion

The control objective of *"Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.'*has been met.

F. PETTY CASH

Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

There was no petty cash activity during the year. The year-end cash balance of £2.08 is held by the Clerk.

Section Conclusion

The control objective of *"Petty cash payments were properly supported by receipts; all petty cash expenditure was approved and VAT accounted for"*has been met.

G. PAYROLL

Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

The Parish Council has one part-time employee, the Clerk.

A PAYE scheme is operated correctly in respect of the Clerk's salary, with the appropriate payroll filings submitted. PAYE and National Insurance requirements have been met, with no deductions necessary due to the level of salary.

Section Conclusion

The control objective of *"Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied"* has been met.

H. ASSETS AND INVESTMENTS

Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

The Council maintains a simple fixed asset register. The Village Hall is recorded at nil value due to the absence of historical cost information. There were no additions or disposals during the year, and no movement in the asset register.

Section Conclusion
The control objective *of "Asset and investments registers were complete and accurate and properly maintained"* has been met.

I. BANK & CASH

Internal audit requirement

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

At the year-end, the Parish Council had a fully reconciled bank position. There is evidence in the minutes that bank reconciliations were prepared regularly and presented to the Council for review and approval.

Section Conclusion
The control objective of *"Periodic and year-end bank account reconciliations were properly carried out"* has been met.

J. YEAR END ACCOUNTS

Internal audit requirement

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The year-end accounts have been properly prepared on a receipts and payments basis. The AGAR figures have been correctly cast and cross-cast, and the prior year comparatives have been accurately copied from the 2024/25 AGAR.

Under the receipts and payments basis of accounting, Box 7 and Box 8 agree to the reconciled cashbook balance at the year-end.

There are no debtors or creditors recorded due to the basis of accounting.

Section Conclusion
The control objective of *"Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded"* has been met.

K. LIMITED ASSURANCE REVIEW

Internal audit requirement

If the authority certified itself as exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2024/25 AGAR tick "not covered")

Although the authority met the financial criteria to certify itself as exempt from a limited assurance review, the Certificate of Exemption was not approved and signed until October 2025, after the statutory deadline of 30 June 2025. This followed delays arising from matters connected with the prior external audit process.

Section Conclusion
The control objective of *"If the authority certified itself as exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt"* has not been met.

L: TRANSPARENCY

Internal audit requirement

The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.

The Parish Council maintains a free-to-access website which is up to date at the time of the internal audit.

Required documentation, including agendas, minutes, contact details, and financial information, is published in accordance with the relevant legislation. A past failure to publish an external auditor's interim report and accompanying notice has been acknowledged. This matter relates to Assertion 4 of the Annual Governance Statement and is addressed there.

Section Conclusion
The control assertion of *"The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation."* has been met.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

In the year covered by this AGAR, the authority correctly provided for a period of the exercise of public rights as required by the Accounts and Audit Regulations (during the 2025-26 AGAR period, were public rights in relation to the 2024-25 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the Annual Governance and Accountability Return (AGAR), accounting records, and supporting documentation are made available for public inspection for a period of 30 working days, including the first 10 working days of July.

The period for the exercise of public rights relating to the 2024/25 AGAR commenced on 8 October 2025 and ended on 21 November 2025. Although the inspection period covered the required number of working days, it did not include the first 10 working days of July as required by the Accounts and Audit Regulations 2015. Accordingly, the authority did not fully comply with the statutory requirements relating to the exercise of public rights.

Section Conclusion
The control assertion of "*In the year covered by this AGAR, the authority correctly provided for a period of the exercise of public rights as required by the Accounts and Audit Regulations (during the 2025-26 AGAR period, were public rights in relation to the 2024-25 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).* Has not been met.

N. PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2024/25 AGAR (see AGAR Page 1 Guidance Notes).

A review of the parish council's website confirmed that the majority of required information was published in accordance with statutory requirements.

The external auditor's report and Notice of Conclusion of Audit were not initially published as the audit process remained ongoing due to objections raised by a member of the public. These matters have since been resolved.

However, the Certificate of Exemption for 2024/25 was not published until 21 October 2025, after the required publication deadline of 30 September 2025. Accordingly, the authority did not fully comply with the publication requirements for the 2024/25 AGAR period.

Section Conclusion
The control assertion that "*The authority has complied with the publication requirements for the 2024/25 AGAR under the Accounts and Audit Regulations 2015*" has not been met.

O. DATA COMPLIANCE

Internal audit requirement

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

The authority maintains a publicly accessible website and uses a generic council email address for official correspondence.

A review of the website confirmed that the authority publishes information in accordance with transparency and AGAR requirements. The website also includes a number of policies relating to data protection and information management, including a Data Protection Policy, General Privacy Notice, Freedom of Information Policy, Publication Scheme, and Retention of Documents Policy.

Section Conclusion
The control assertion of *"The authority has complied with laws, regulations & proper practices relating to digital and data compliance."* has been met.

P. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

The parish council is entitled to and does appoint a trustee to the board of Potto Village Hall, the registered charity which is responsible for the operation and management of the Potto Village Hall.

No issues were identified during our review.

Section Conclusion
The control assertion of *"The council met its responsibilities as a trustee"* has been met.

Yours faithfully

Chipchase Manners

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Date: 11/06/26