

**Caistor Town Council**  
**Annual Governance and Accountability**  
**Internal Audit Report 25/26**

Another audit showing that governance is high, with very good practices and policies in place.

It is pleasing to see that a few issues that I raised at the last audit were discussed at Council and addressed as required.

There are a few recommendations below for the Council to consider from this years audit:

The Council considered not replacing the Deputy Clerk with AI, to save money. It would be wise for the Council to review the following advice for using AI (from a Local Council Association):

**CAVEATS (THINGS TO CONSIDER)**

*While AI offers many benefits, councils must consider potential risks and limitations.*

**Accuracy** is a key concern. AI systems generate responses based on existing data, which means they can sometimes provide incorrect or misleading information. Councils should always verify AI-generated content before publishing it to ensure it is factually correct and aligns with official policies.

**Data privacy** is another important consideration. Many AI tools process data through cloud-based services, raising compliance concerns with GDPR and local data protection laws. Councils must ensure that any AI tools used are secure and meet legal requirements to protect resident information.

**Bias** can also affect AI outputs. Because AI models learn from historical data, they may unintentionally reflect biases present in the data, affecting decision-making processes if AI-generated insights are used without proper human oversight.

*Lastly, councils should avoid over-reliance on AI. While AI can be a helpful assistant, human judgement stays essential. AI should support decision-making rather than replace the experience and ability of council staff.*

I also presume that part of the Deputy Clerk's role was to cover in the absence of the Town Clerk, this is not possible with AI and might leave the Council without the correct staffing levels.

Several of the Councillors Declarations of Interests are quite old now and it might be worth refreshing them all to keep up to date.

A breach of financial protocols when appointing a contractor was discovered and discussed at Council. There are internal controls/Financial Regulations in place which should be adhered to and should be reminded to Councillors, if not already done so.

There have been some issues with Caistor In Bloom including a “donation” for equipment, despite CIB not doing the work expected and resulting in additional costs. I would recommend that this sits outside of the Grant process and there is nothing to protect the Council when things go wrong. When donating to any group, as part of their work, it might be worth considering if this has some contractual ties as they sit outside the Council and clearly defining the expectations of what the donation is given for (including the possibility of paying this money back if the work is not completed).

*Andy Hopkins*      PSLCC PIALC

Internal Auditor

May 2026

NB

AGAR Internal Audit Form

K not covered – not declared except

## Caistor Town Council

### Annual Governance and Accountability Internal Audit Report 25/26

Item	Check	Notes/Findings
Minutes and Agendas	That they are kept correctly, numbered, initialled and signed by Chairman etc. as well as Committee meetings and that meetings are called lawfully.	Meetings have been called correctly with the correct amount of time.  Agendas and minutes have been uploaded onto the website.  Minutes are signed off at the next meeting.  A "meeting pack" is produced for Councillors and there is a secure section on the website for Councillors to access information.  Minutes show a clear decision making process.
Purchase Invoices	Kept and VAT invoices where appropriate and marked with cheque numbers for reference.	All correctly accounted for and reported to Council at each meeting.
VAT	Where applicable correctly recorded and reclaimed for previous year.	VAT is recorded appropriately on the Finance reports.
Sales Invoices	Produced timely and correctly and supported by appropriate paperwork such as diaries/emails etc.	Sales invoices are recorded appropriately and reported to Council.
Credit Control/Debts	That any sales invoices are credit controlled and payments chased.	Outstanding amounts are reported to Council and policy in place to chase if required.

Receipts and Payments	That payments are made properly by cheque/BACS/DD/SO and properly recorded and that receipts are also made properly and properly recorded and supported by paperwork trail.	<p>A payment schedule is produced for each meeting and signed off.</p> <p>Comprehensive Financial reports are kept by the Clerk.</p> <p>A banking card in the Clerks name is in place to enable purchases to be made directly.</p>
Staffing/Personnel	That staff have appropriate contracts and procedures are in place for personnel management.	<p>There is a Personnel &amp; Finance Committee Committee that oversees staffing matters.</p> <p>The Clerk has day to day management of the other staff in post.</p> <p>A Deputy Clerk had been appointed but left the Council, it is discussed in the minutes about using AI to replace this position and to save money (please see recommendations on this point).</p> <p>A Maintenance/Handyperson has been recruited.</p>
Payroll	That appropriate payroll system is in place and supporting information for pay rates/salary levels etc.	<p>Payment is made in accordance with hours worked.</p> <p>This is authorised as part of the Payment Schedule and includes expenses and HMRC PAYE payments.</p> <p>The salary of the staff was reviewed by the Personnel &amp; Finance Committee based on national pay claims.</p>
Governance	That Standing Orders/Finance Regs/Insurance and all other policy documents are in place and that	The Council reviewed and approved a wide range of policies throughout the year as well as new ones that were considered necessary.

	they are reviewed at least annually.	<p>Insurance and the Asset Register were reviewed, and an Investment Strategy was created.</p> <p>Councillors declare interests at the meeting.</p> <p>A number of the Councillors Declarations are quite old now and might be worth refreshing them all to keep up to date.</p>
Cash handling	That all cash handled is subject to audit/security trail and this is adhered to.	There is no petty cash.
Budgets and Monitoring	That a budget is in place and adhered to, with monitoring.	<p>Budget monitoring took place during the year. With expected variances and pressures reported by the Clerk.</p> <p>Comprehensive budget setting took place, with a review stating at Personnel &amp; Finance Committee and concluding with the final approval in January 2026 by Council.</p>
Accounting/Finance	That at least quarterly account reconciliations are in place and presented to Council.	<p>Accounting statement, Bank Reconciliation and Schedule of Payments are presented at each Council meeting.</p> <p>Reconciliations and finance reports are presented to the Council at each meeting.</p> <p>Accounted for CIL income.</p> <p>A breach of financial protocols when appointing a contractor was discovered and was considered by Council.</p> <p>There have been some issues with Caistor In Bloom including a “donation” for equipment despite CIB not doing the work expected and resulting in additional costs.</p>

<p>Accountability</p>	<p>That Councillors sign cheque book stubs, initial and sign finance information presented and are presented with information to allow accountability.</p>	<p>Internal controls are in place and must be emphasised.</p> <p>Payments are paid online by the Clerk following approval by the Council of the Schedule of Payments.</p> <p>The required year-end documents and audit paperwork, were completed, signed off and put on the website:</p> <p>AGAR Internal Audit Accounting Statement Bank Reconciliation Explanation of Variances Notice of Public Rights Closure of External Audit</p>
<p>Transparency</p>		<p>More detail is being included in the Council's minutes to make it clearer for the reader what decisions are being made.</p>
<p>Audit</p>	<p>That internal audit is carried out with report presented to Council and that external audit paperwork is correctly completed and presented to Council and followed up with any appropriate actions.</p>	<p>The Internal Audit was reported to Council on 8.05.25 for consideration.</p> <p>All the correct paperwork for the audit was completed and published.</p>
<p>Precept and grants</p>	<p>That precept level is officially set and communicated to local authority and correctly received.</p>	<p>The precept was reviewed from August 2025 and was agreed by Council on 8.1.26 and sent to WLDC.</p>
<p>Section 137</p>	<p>That it is separately recorded and cap adhered to.</p>	<p>S137 is not applicable as the General Power of Competence has been adopted.</p> <p>The Council approved a number of Community Grants and Donations.</p>

IT	Information Governance is in place	<p>The Council has adopted .gov.uk emails for all</p> <p>The website is appropriate and has the right information.</p> <p>The Council has GDPR and IT Policies.</p> <p>Requirements for publishing as part of the Transparency Code have been met.</p>