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29 January 2025

The Parish Clerk

Ashurst and Colbury Parish Council

3 Kimberley Close,
Pretoria Road,
Hedge End
SO30 0BH

Dear Karen

Interim Internal Audit Report

Ashurst and Colbury Parish Council – April 2024 to December 2024

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
We confirm that we are independent of the Council.

The internal audit work we have carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2024-2025 Annual Governance and Accountability Return.

We have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2024
- The Accounts and Audit (England) Regulations 2015 (as amended).

Background
Ashurst and Colbury Parish Council had income and expenditure of between £50,000 and £100,000 in 202-2024 and is subject to a Limited Assurance review by the External Auditor, BDO. The Council had a clean audit from the External Auditor 2023-2024.

The Council is not a sole managing trustee.

It is good practice for the Council to comply with the Local Government Transparency Code Regulation 2015.

The Council's accounting records are maintained on Scribe software.

The first interim internal audit review was agreed with the Parish Clerk to be carried out on 29 January 2025.

The Parish Clerk provided back-up information electronically in advance of the review and allowed view access to the Scribe software to be able to check financial transactions posted to the cashbook and check details entered on the VAT reimbursement claims. The review covered the period April 2024 to December 2024 which supports the current governance and financial management position of the Council.

Further confirmation has been obtained of good practice and compliance with the Transparency Code Regulation 2015 from the Council's website.

We are pleased that the financial health of Parish Council is being checked by the Parish Clerk/Responsible Finance Officer. The External Auditor has reminded Councils that they should consider having reserves as well as cash holding position whilst preparing the budget for 2025-2026.

It is unlikely that savings can be applied to offset increased costs in 2025-2026 but the Parish Council should review its position to hold monies for projects and has sufficient funds to complete the work.
(***Audit Note: The Parish Council will need to be mindful that the budget and precept approved for 2025-2026 should not have a negative effect on reserves.***
(Audit Note: We reiterate the details shown in the Practitioners Guide 2024 which recommends that a minimum of 3 to 6 months of expenditure totals should be held as general reserves by Parish Councils to ensure financial stability).

Internal audit checks
We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, Minutes, policies, procedures and insurance documentation to ascertain the efficiency and effectiveness of the Parish Council's internal control framework. This internal audit report is based on the audit testing carried out at the review.

During this review we checked the following:

- Minutes of Council Meetings
- Policies and procedures
- Bank and cash
- Income and expenditure
- VAT claims

- Insurance
- Budgets and Reserves
- Payroll
- Transparency of the Council website

Findings
Details of good practice noted, our recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Council maintains its books and records on Scribe
- Details of total payments authorised at meetings
- All records were up to date and easy to follow
- VAT reimbursement claims are submitted to HMRC on a regular basis
- The budgeting process is detailed and monitored throughout the year
- Bank reconciliations are carried out promptly and were accurate
- The Insurance is appropriate for the size of the Council
- Salary payments to the Clerk are correctly calculated.
- The Council comply with the Transparency Code Regulation 2015.

Recommendation

Budget Setting and Precept

- Budget and Precept setting for 2025-2026 should be approved that does not have a negative effect on Reserves. Percentage increases in budget for 2025-2026 should be offset wherever possible through an appropriate rise in the Precept.

Other matters to be brought to the Council's attention

- The Parish Council will need to review its budget costs for 2025-2026. Careful consideration should be given when Budget and Precept setting for 2025-2026 that the Chancellor has increased the Employers NI rate from 13.8% to 15% from April 2025. The Council should also take note that there is a reduction in the per employer threshold at which employers pay national insurance to £5000 so these will have an impact of budget setting and potential Precept calculations. ***(Audit Note: The Parish Clerk is aware of the increase that is required to the salary budget for 2025-2026).***
- The Council has provided evidence of the posting date for the Exercise of Public Rights in 2024 so they can tick "Yes" to Assertion 4 on Section 1 (Governance Statement) of the AGAR 2024-2025 to comply with the requirements of the Accounts and Audit Regulations 2015. We will also be able to tick "Yes" to Control Objective M on the Annual Internal Audit Report 2024-2025.
- Details should be updated on the risk assessment to reflect the current Reserves and Budgetary requirements for 2025/2026 and where there is high risk identified these should be reviewed to check if action can be taken so the risks are reduced.
- We note that the risk assessment for 2024-2025 has been approved by full Council on the 21 January 2025. We are satisfied that the Council can tick "Yes" to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2024-2025 to comply with the requirements for the External Auditor. We will tick "Yes" to Control Objective C on the Annual Internal Audit Report 2024-2025.
- The Parish Clerk will need to ensure that the Asset Register is kept up to date to record the value of new purchases. This will ensure that the totals reflected in the End of Year figures for Box 9 on

Section 2 Accounting Statements are accurate for reporting to the External Auditor. The Asset Register should be reviewed and approved by the full Parish Council before the 31 March 2024.

- The Parish Council will need to ensure its website provider is aware of the changes to adhere to the requirements set out in the website accessibility rules. The Parish Council website should now meet the new WCAG 2.2 AA standard for website accessibility. ***(The Parish Clerk will confirm this with the website provider).***
- The External Auditor has indicated that it is best practice that Authorities should review and approve each financial year:

  - the appointment or continuing appointment of the Internal Auditor.
  - that the Internal Auditor is independent of the Council.
  - the effectiveness of the Internal Audit.

  (Audit Note: We recommend that to continue to meet these best practice requirements the Parish Council should consider approving and recording these details in the Minutes of the full Parish Council in each financial year).

We also remind the Parish Council that:

- any CiL or S106 monies not used in the financial year should be recorded in Earmarked Reserves.

- the Insurance renewal details should be reviewed and recorded in your minutes of the Council or Committee in each financial year, even if you are locked in a three-year agreement.

Conclusion

Based on the tests we have carried out at this interim internal audit review, in our view, the internal control procedures in operation are adequate to meet the needs of Ashurst and Colbury Parish Council except where we have made recommendations in this report. We have this recommendation to strengthen the existing internal controls to protect the financial security of the Parish Council for future years.

Next visit
The next internal audit review has been arranged for **Tuesday 06 May 2025.**

At this review detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash.
- Investments
- Income and Expenditure
- Reserves
- VAT claims
- Transparency Code Regulation 2015
- Budget 2025-2026
- Preparation for End of Year Procedures.

Next Steps

This report should be noted and taken to the next meeting of the full Parish Council. They should decide what action will be taken on the recommendations we have made.

Tim Light FMAAT
Internal auditor

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