

Horndean Parish Council

Internal Audit Report 2024-25 (Final update)

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Background and Scope

Statute requires all town and parish councils to arrange for an independent Internal Audit (IA) examination of their accounting records and systems of internal control and for the conclusions to be reported each year in the Annual Governance and Accountability Return (AGAR).

This report sets out the work undertaken in relation to the 2024-25 financial year during our two visits to the Council which took place on 21st October 2024 and 28th April 2025, together with work at our offices both in advance of and following those visits.

Internal Audit Approach

In undertaking our review for 2024-25 and in accordance with the requirements of the IA Certificate in the AGAR and the latest edition of the JPAG Practitioner's Guide we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved legislation.

Overall Conclusion

We again wish to acknowledge the high quality of documentation prepared and maintained by officers, which assists our review process: we are, consequently, pleased to record that only one matter has been identified this year at our interim visit warranting formal comment and recommendation: we are pleased to acknowledge that appropriate remedial action has been implemented.

Based on the overall satisfactory conclusions drawn from our review programme and testing of transactions for the year we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We also take this opportunity to draw the Clerk's attention to the guidance notes in the preface to the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Detailed Report

Review of Accounting Records & Bank Reconciliations

Our objective here is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear therein, also that effective controls are in place to confirm the accuracy of that detail. The Council uses the Rialtas Omega software to maintain its accounting records, also using the Purchase and Sales Ledger and Bookings modules. Four bank accounts are in use currently: -

- ❖ Co-op Bank – used for all day-to day transactions;
- ❖ Co-op Select 14-day deposit - £50k deposited in 2024-25;
- ❖ Lloyds Bank – no transactions in year to date, other than the ongoing monthly service charge;
- ❖ Cambridge and Counties Bank with monthly interest credited in 2024-25.

To ensure compliance with the above objective, we have: -

- Agreed the opening balances in the year's financial ledger with that in the 2023-24 Statement of Accounts and certified AGAR;
- Ensured that an appropriate Cost Centre and Coding structure remains in place;
- Checked and verified detail of four months' transactions on the Co-op Current account (April & September 2024, plus January & March 2025) cashbooks by reference to supporting bank statements;
- Checked and agreed detail of transactions on the other three account cashbooks for the full financial year by reference to supporting bank statements;
- Agreed detail of the month-end bank reconciliations on all accounts at 30th April and September 2024, plus 31st January and March 2025; and
- Ensured the accurate recording of the combined account cash and bank balances at 31st March 2025 in the year's AGAR at Section 2, Box 8.

We are pleased to note that a councillor continues to review and sign-off bank reconciliations and supporting bank statements quarterly.

Conclusions

We are pleased to record that no issues arise in this area this year warranting formal comment or recommendation.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we can reasonably ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are pleased to note that the Council's SOs and Financial Regulations (FRs) have again been reviewed, both being re-adopted unchanged at the Annual Council meeting held in May 2024. The Council has also adopted the latest NALC model FRs, significantly altered to reflect the Council's

own local circumstances: we consider the revised document appropriate for the Council's present requirements.

We have reviewed the full Council and Committee meetings' minutes for the year as posted on the Council's website or provided during our onsite visits, excluding those pertaining to Planning issues, to ensure that no issues exist affecting the Council's financial stability either in the short, medium or long term and are pleased to record that no such issues exist currently.

We also note that the external auditors signed-off the 2023-24 AGAR with, inter alia, a number of comments relating to the currency of the IA Letter of Engagement and scope of IA coverage: that latter detail has been set out previously in our Letter of Engagement when we were initially appointed together with the scope of work to be undertaken in our annual detailed work programme that is updated annually to reflect any changes in legislation that might affect the work programme. The Chief Officer has kindly signed a new and updated "Letter of Engagement" during the course of our interim visit.

We are also pleased to note publication of the legally required Notice of Public Rights to examine the Council's financial records for the requisite 30 working days.

Conclusions

We are pleased to record that no issues arise warranting formal comment or recommendation in this area this year. We shall continue to monitor the Council's approach to governance at future visits, also continuing our review of minutes.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other form of document confirming the payment as due;
- Members take an active role in reviewing supporting documentation and approving expenditure for release;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure any applicable discount;
- The correct analysis has been applied to invoices when processed; and,
- Expended VAT is appropriately identified for recovery through reclaims prepared and submitted to HMRC quarterly.

We note that an official ordering system continues in place, which we consider affords the Council an effective control over procurement with copies of purchase orders married to resultant trade invoices. To ensure compliance with the above criteria, we have examined a sample of 75 payments in the financial year including all those individually in excess of £1,000, together with every 20th transaction as recorded in the cashbook in the year. Our test sample totals £294,115 equating to 78% by value of non-pay related expenditure in the year.

We are also pleased to note the continued use of a suitably designed certification stamp, which is affixed to each purchase invoice also noting that the Chief Officer initials these approving the

payments. We also note that a schedule of payments continues to be provided to members at the monthly Council meeting for their review and sign-off.

We note that quarterly VAT reclaims continue to be prepared and have agreed detail of the final 2023-24 and four 2024-25 reclaims to the underlying Omega control account quarter-end balances with all, bar the final quarter's reclaim repaid by HMRC accordingly during the financial year.

Conclusions

We are pleased to record that no matters arise in this area warranting formal comment or recommendation.

Assessment and Management of Risk

Our aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks to minimise the opportunity for their coming to fruition.

We have examined the Council's insurance schedule with Zurich for 2024-25 with Public and Employer's cover in place at £15 million and £10 million respectively, together with Hirer's Liability cover of £2 million and Fidelity Guarantee cover of £1 million, all of which we consider appropriate for the Council's present requirements. We also note that Business Interruption – "Loss of Revenue" cover is in place at £52,000, which we also consider appropriate.

We are again pleased to note that the Council's Risk Register has been subjected to further review and re-adoption by the Council at its meeting in February 2025: we have reviewed the content of the document and consider that it remains appropriate for the Council's present requirements.

We have previously discussed the Council's inspection regime for its playground and recreation facilities noting that RoSPA conducts an annual inspection on each of the council's facilities with a separate inspection of outdoor gym equipment where fitted. Additionally, the Countryside Team, who are certified to conduct playground inspections by RoSPA, conduct inspections of each facility with detailed written reports produced, together with photographic evidence, detail of which is given to the Health & Safety officer for retention.

Conclusions

We are pleased to report that there are no issues arising in this review area this year: we shall continue to monitor the Council's approach to risk management issues at future visits reporting our conclusions accordingly.

Review of Budgetary Control & Reserves

Our objective here is to ensure that the Council has a robust procedure in place for identifying and approving its future budgetary requirements and the level of precept to be drawn down from the parent Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its revenue spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that, following due deliberation of the Council's budgetary requirements for 2025-26, the Council approved and adopted at its December 2024 meeting the budget and precept setting the latter at £510,903 for the year.

We note that members continue to routinely be provided with the latest budgetary position, as generated by the Omega Accounts software and have examined the year's final budget outturn report following up any significant variances by reference to the related Omega nominal account codes. We are pleased to record that appropriate explanations have been identified for these, none of which require further enquiry.

We have also considered the ongoing appropriateness of the Council's overall retained reserves which have decreased to £299,837 (£368,783 at the prior year-end): of that total, £122,459 is set aside in specified earmarked reserves (EMRs). The residual General Reserve balance of £177,376 (£183,168 at 31st March 2024) equates to approximately 2 months' revenue spending at the 2024-25 level and, whilst marginally below the generally recognised holding of between 3 and 12 month's revenue spending, we do not consider this to be a cause for concern with the level of EMRS in place which could, if necessary, be reverted back to the General Reserve.

Conclusions

No issues arise in this review area warranting formal comment or recommendation.

Review of Income

The Council has relatively limited sources of income in addition to the annual precept, primarily arising from CIL monies, various grants and donations, VAT reclaims, bank interest, hire of the two halls and sports pitches, the last of which is based on annually agreed fees paid monthly by direct credit to the Council's current bank account.

We have assessed the controls in place over the booking of the two halls, noting the continued use of the Rialtas electronic bookings system. We have duly examined a sample of two weeks' bookings (commencing Monday 5th August 2024) as recorded in the booking system for both the Jubilee and Napier Halls ensuring that appropriately priced invoices have been raised and that they have been settled promptly: we are again pleased to note that the Finance Assistant records the payment receipt date on the invoices.

We have also reviewed the football pitch hire income as recorded in the Omega accounts ensuring recovery of the monthly agreed hire fees for the two clubs using the facilities for the year.

Finally in this area, we have examined the Omega Sales Ledger – "Unpaid invoices by date" report at the financial year-end and are pleased to note that only invoices raised in March 2025 remain unpaid at the year-end. We have also examined the Rialtas detailed income transaction reports for the financial year to ensure that, as far as we are reasonably able, no apparent mis-postings have occurred and that all income due to the Council to date has been brought to account appropriately.

Conclusions

No issues have been identified in this area warranting formal comment or recommendation. We shall continue to monitor the recovery of the Council's income at future visits.

Petty Cash Account

The Council does not operate a petty cash account, any incidental expenses incurred by staff being reclaimed and repaid monthly or as appropriate.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is observed appropriately as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions.

The Council continues to outsource the preparation of the monthly payroll to a local company who provide a full service including the provision of appropriate payslips and supporting detail, together with detail of tax, NI and pension deductions applying.

Employees working overtime and / or claiming mileage expenses complete a monthly time / mileage sheet which is reviewed and signed off by the Chief Officer confirming appropriateness for payment. We noted at our interim review that the Chief Officer's timesheet for September 2024 was not signed off by the Council Chairman as used to be the case and urge that this independent check and confirmation of any overtime hours being necessarily worked be reimplemented to protect the Chief Officer from any potential allegation of any inappropriate claims. The Chief Officer prepares a monthly summary schedule of any such overtime / travel expenses or other enhanced payments due to individual officers, which is provided to the payroll bureau for inclusion / payment with the subsequent month's salaries.

We thank the RFO for providing a detailed schedule of each staff member's basic gross salary, contracted working hours and other relevant detail, which we have used to verify the accuracy of detail in the September 2024 payslips provided by the bureau, also agreeing any enhanced / overtime hours and mileage expenses to the supporting monthly time / expense sheets.

We have also verified, by reference to the above payslips, detail of that month's deductions for each employee in respect of tax, NI and pensions (where applicable), together with the respective employer's contributions, by reference to the relevant current year's HMRC tax & NI tables and the LG Pension scheme percentage rates.

Conclusions and recommendation

We are pleased to record that no significant concerns arise in this area but recommend that the former countersigning by the Chairman of the Chief Officer's monthly timesheet be re-implemented to afford her appropriate protection as indicated above. We also now note that following a detailed staffing review, the Council has determined to apply the appropriate assessed NJC scale points for payment to all staff members.

R1. The previously in place countersigning of the Chief Officer's monthly time sheet by the Chairman should be re-implemented. The time sheet has now been signed by the Chairman as will future timesheets.

Fixed Asset Registers

The Governance and Accountability Manual requires councils to develop and maintain a register of all assets. The Annual Return requires disclosure of the value of assets retained by the Council at 31st March annually, with a revision to the reporting detail issued in 2010 that requires asset values to be reported at cost price or, where that value is unknown, the prior year AGAR value updated to reflect the cost of any new acquisitions or deletions / disposals.

The Council continues to manage its Asset Register in an Excel spreadsheet. We have noted previously the comprehensive nature of the register, including photographic evidence of the individual assets' existence. We have examined the overall summary sheet as at 31st March 2025 which we are pleased to note includes detail of new in-year acquisitions and disposals with the [updated](#) year-end value duly [confirmed as accurately recorded in the AGAR](#) at [Section 2, Box 9](#).

Conclusions

We are pleased to report that there are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Investments and Loans

The Council has, as indicated above, placed surplus funds in two bank accounts, one of which receives monthly interest, whilst the other only incurs the monthly £7 bank service charge with no other transactions. We again note the Council's re-adoption of its Investment Policy at the May 2024 Council meeting and have reviewed its content, which we consider remains appropriate for the Council's present situation.

We have verified the two half-yearly repayments to the UK Debt Management Office of the Council's outstanding loan for 2024-25 as part of our above payment review and have now, at this final review visit, also ensured the accurate disclosure in the AGAR at Section 2, Box 10 of the residual loan liability at 31st March 2025 by reference to the UK Debt Management Office "audit advice" notification.

Conclusions

We are pleased to record that there are no issues arising in this area of our review warranting formal comment or recommendation currently.

Statement of Accounts & AGAR

The Council's annual Statement of Accounts is, as in previous years, generated automatically by the Rialtas Omega accounting software, together with the accounting detail for inclusion in the AGAR at Section 2, excluding the asset and outstanding loan liability values. We have, consequently, ensured the accurate recording of all values for submission to the external auditors by reference to the underlying Omega and other records, as reported above in this report.

Conclusions

We are pleased to record that no issues arise in this area and, based on the work undertaken during the course of our review for the year, we have "signed off" the IA Certificate in the year's AGAR assigning positive assurances in all areas.

Rec. No.	Recommendation	Response
Review of Staff Salaries		
R1	The previously in place countersigning of the Chief Officer's monthly time sheet by the Chairman should be re-implemented.	<i>The time sheet has now been signed by the Chairman as will future timesheets.</i>