

LIGHTATOUGH

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26 February 2024

The Parish Clerk

Hamble Parish Council

Hamble Village Memorial Hall

2 High Street

Hamble-Le-Rice, SO31 4JE

Dear Helen

Second Interim Internal Audit Report

Hamble Parish Council – October 2023 to February 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 2023-24 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)' 2023
- The Accounts and Audit (England) Regulations 2015 (as amended).

- **The use of a new credit card will be recorded in Financial Regulations in April 2024.**
- **We have pleased to report that the recommended that further work should be carried out to determine if a prior financial year 2021/2022, VAT elements have been extracted correctly from income received from Car Parking has been completed. A sum of £12,199.62 has been identified and is now due to be paid to HMRC.**

The Council are reminded to follow the best practice requirements in full of the Transparency Code Regulation 2015 which should be displayed on the Council website includes the following:

- a. all items of expenditure above £500
- b. end of year accounts
- c. annual governance statement
- d. internal audit report
- e. list of councillor or member responsibilities
- f. the details of public land and building assets.
- g. Minutes, agendas and meeting papers of formal meetings

Further work has been identified by the Parish Clerk to ensure that the website is easy to navigate to find information which is held in an appropriate area with the website pages.

The Parish Council are in the process of reviewing its investment portfolio and whether this should be held by another provider to take advantage of better interest rates. The Parish Council have approved the opportunity to transfer fund to CCLA in February 2024 and this will be done once the new account is open.

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 visit.

During this visit we test checked the following:

- Minutes of Council Meetings
- Policies and procedures
- Bank and cash
- Investments
- Income and Expenditure
- VAT claims
- 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 RBS Omega Software
- The Clerk/RFO is aware of the requirements of GDPR.
- The Council is registered with the ICO.
- Details of total payments authorised at meetings are recorded in the Minutes.
- All records were up to date and easy to follow.
- The Insurance cover is appropriate for the size of the Council.
- The budgeting process is detailed and monitored.
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions
- Bank reconciliations are now carried out and are accurate.
- The Council takes an active scrutiny role.
- VAT reimbursement claims are made on a regularly basis.

Recommendations

Previous Recommendations

- A work plan should continue to be implemented and record appropriate timescales to strengthen the internal control framework for those outstanding areas highlighted in the first interim internal audit report. *(Audit Note: It is acknowledged where possible enhanced internal controls will be introduced in 2024/2025 to complete those areas that remain work in progress).*

Earmarked and General Reserves

- The Parish Council are reminded of the importance to review the levels of Earmarked and General Reserves on a regular basis. This will determine if the sums held remain sound to ensure Earmarked Projects can be funded within current levels, or if further funding is required from Grants or an increase in the Precept.
- The Parish Clerk is aware of the low levels of Reserves held by the Council and is mindful of the need to plan to bolster Reserves. *(Audit Note: We recommend that a review of the Reserve levels should be undertaken in 2024/2025 and decisions taken to ensure they remain sound and fit for purpose for future years). It is our opinion that the Parish Council should continue to follow the recommendations made in the Practitioners Guide 2023 (paragraphs 5.33 and 5.37) for the level of General Reserves).*

Other matters to be brought to the Council's attention

- We are pleased to note that the work carried out on the leave entitlements for all staff employed at the Parish Council has confirmed the correct aligned with the NJC (Green Book) terms.
- We have noted that the end of year closedown will be undertaken on Monday 15 April 2024 and the final internal audit visit has been arranged for Friday 19 April 2024 to check the end of year procedures.

- We continue to suggest the Council should have the opportunity to review and check cost centre codes information and where necessary to delete those no longer needed for the coding structure for the Parish Council in 2024/2025.
- We are pleased to report that regular budget management reports are now provided to the Parish Council.
- We have noted that the risk assessment for 2023/2024 was approved by the Parish Council on the 13 November 2023. We will be satisfied that the Council can tick “Yes” to Assertion 5 on Section 1 (Governance Statement) of the AGAR 2023/2024 to comply with the requirements for the External Auditor. We will tick “Yes” to Control Objective C on the Annual Internal Audit Report 2023/2024.
- Although we are satisfied that the Asset Register was approved by the Parish Council in May 2023, the details will need to be kept up to date to record the value of new purchases throughout the financial year. 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.

Conclusion

We continue to make recommendations in this report to enhance and strengthen the internal controls that exist. We acknowledge the progress that has been made and improvements have been made to the internal controls since the appointment of the new Parish Clerk.

We further acknowledged that we need to check on progress and test again at the final internal audit visit.

Next visit

The next internal audit visit has been arranged for **Friday 19 April 2024**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and Expenditure
- VAT claims
- Asset Register
- Transparency of website
- Preparation for End of Year Procedures.

Next Steps

This report should be noted and taken to the next meeting of the Parish Council.

They should decide what action will be taken on the recommendation we have made.

Tim Light FMAAT

Internal auditor