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**21 November 2024**

**The Parish Clerk**

**Hamble Parish Council**

**Hamble Village Memorial Hall**

**2 High Street**

**Hamble-Le-Rice, SO31 4JE**

Dear Helen

**First Interim Internal Audit Report**

**Hamble Parish Council – April 2024 to September 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 2024-25 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).



We are pleased that the financial health of Parish Council is being checked as the Parish Clerk is considering both its current reserves and cash holding position whilst preparing the budget for 2025-2026.

We further accept it is unlikely that efficiency saving can be applied to offset increased costs in 2025-2026 but the Parish Council should review its reserves position and check where projects have been commissioned and has sufficient funds to complete the work.

***(Audit Note: The Parish Council will need to be mindful that the budget approval and precept for 2025-2026 should not have a negative effect on reserves. We recommend that where increases in the budget for 2025-2026 are necessary these should be given to offset these by an appropriate percentage rise in the Precept).***

***(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).***

Further considerations may also be needed if:

- the Parish Council decide to fight any appeal by the developer to the Cemex court judgement to reject a quarry on the Hamble Airfield which again might put strain on the budget.
- the Parish Council make decisions to pursue a Neighbourhood Plan in favour of the Eastleigh Borough Council Local Plan. ***(Audit Note: The Parish Council will need to be mindful that any decision to pursue a Neighbourhood Plan can not rely on grants to fund the project, the additional work pressures to existing staff, further strain on the budget requirements and the possibility that the Local Plan may provide the required outcomes without additional cost to the Parish Council).***

A new staffing structure has been implemented since the last internal audit review. The new structure will strengthen and stabilise the work force plan and provide clear pathways to deliver the operation requirements of the Parish Council. A further permanent appointment is still required but the Parish Clerk will ensure this is completed before the end of 2024-2025.

The Parish Clerk will also engage a temporary appointment to review and provide assurance that all leases and licences are appropriate and fit for purpose. They will be tasked to check whether further increases in fees can be introduced or if efficiency savings can be made from the outcome of new arrangements to be put in place.

The arrangements for the Mount Pleasant play park refurbishment were approved at the full Parish Council meeting on the 12 February 2024. It is recorded that this should be overseen by a working party. At its meeting on the 10 June 2024 the Parish Council decided and agree delegated responsibility would be given to oversee the project to a Mount Pleasant Sub Committee who would finalise all the details. To date the Mount Pleasant Sub Committee has not met to formalise any of the arrangements.

***(Audit Note: It is our opinion the work to start this refurbishment works should only commence once the details all the project plans are agreed and approved by the Mount Pleasant Sub Committee).***

### **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
- 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 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.
- Income and Expenditure could be traced to the financial ledger.
- 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**

#### **Reserves Policy**

- The reserves policy should be reviewed and provide enough flexibility to ensure the general reserves holdings can sustain sufficient funds to pay contractor and suppliers but is balanced to maximise the impact to encourage opportunities for growth and to earmark funds for future projects.

***(Audit Note: The Parish Council should be mindful that the Practitioners Guide 2024 paragraph 5.35 guidance recommends:***

***“any authority with income and expenditure in excess of £200,000 should plan towards 3 to 6 months equivalent general reserve”***).

#### **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.

#### **Neighbourhood Plan**

- The Parish Council will need to be mindful that any decision to pursue a Neighbourhood Plan cannot rely on grants to fund the project, the additional work pressures to exist staff, further

strain on the budget requirements and the possibility that the Local Plan may provide the required outcomes without additional cost to the Parish Council.

### **Other matters to be brought to the Council's attention**

- 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: We understand that the Parish Clerk and Finance and Administrative Officer has already calculated the impact of this increase which will raise the salary budget).**
- The Parish Council have provided evidence of the posting date for the Exercise of Public Rights in 2024 and will be able to 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.
- We note that the risk assessment for 2024/2025 was approved by full Council by 09 September 2024. 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 then tick “Yes” to Control Objective C on the Annual Internal Audit Report 2024/2025. The 2024/2025 risk assessment should be uploaded on to the Council website for information after it is approved by the Town Council.
- The Parish Clerk will ensure the Asset Register remains up to date. This will include the need to record new purchases and disposals for 2024-2025 and presented and approved by the Council before the 31 March 2025. Once this is completed the Council can tick “Yes” to Assertion 6 on the Annual Governance Statement on the AGAR 2024-2025. We will be able to tick “Yes” to Control Objective H on the Annual Internal Audit Report 2024-2025. **(Audit Note: This has now been approved at the full Parish Council meeting on Monday 11 November 2024).**
- The Parish Council have received confirmation from its website provider that they are aware of the need to be compliant to adhere to the requirements set out in the website accessibility rules that requires the Parish Council website to ensure it meets the new WCAG 2.2 AA standard for website accessibility. **(The Parish Clerk will confirm this has been updated with the website provider).**
- The External Auditor has indicated as part of the intermediate audit review for 2023-2024 that it is best practice that Authority's 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:**

- using the Income and Expenditure method of recording 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 Hamble Parish Council except where we have made recommendations in this report. We have made these recommendations to strengthen this 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 **Thursday 06 March 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**

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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