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2 December, 2024

The Parish Clerk

Bembridge Parish Council

5 Foreland Road

Bembridge

Isle of Wight

PO35 5XN

Dear Mark

Interim Internal Audit Report

Bembridge 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 2024-2025 Annual Governance and Accounts 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).

(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).

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
- 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 Scribe software.
- The Council 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 budgeting process is detailed and monitored.
- Bank reconciliations are carried out promptly each month and were accurate.
- The Parish Council takes an active scrutiny role.
- VAT claims are appropriate and made regularly.
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions
- Income was traced and correctly recorded and accounted for in the financial ledger.

Recommendations

Reserves Policy

- A reserves policy should be produced to record 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.

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 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.
- 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 will need to be approved by full Council by 31 March 2025. Once completed we will be 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 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 for 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 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 Bembridge 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 12 June 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