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2025/26 Internal Audit Report for Bembridge Parish Council

BASIS OF REPORT

This Internal Audit Report is based on the Practitioners' Guide 2025: Governance and Accountability for Smaller Authorities in England.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls, as outlined in the original Letter of Engagement. Where any such controls are found to be deficient, the internal audit aims to support improvement in those processes.

This report should be made available to all Members to support and inform their consideration of the Council's approval of the Annual Governance Statement.

By applying the principles of internal auditing, as set out in the Accounts and Audit Regulations, and following the approach to internal audit testing outlined above, every effort has been made to ensure that the audit has been conducted with due professional care, integrity, and independence. All conclusions are based on objective and traceable evidence.

It is important to note that internal audit should not be viewed as a detailed inspection of all records and transactions to detect error or fraud. Smaller authorities are required under the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control, and governance processes.

Internal audit is therefore a periodic, independent review of a Council's internal controls, resulting in an assurance report designed to improve effectiveness and efficiency. Responsibility for day-to-day internal controls rests with the Council's staff and Members, not the internal auditor.

As Internal Auditor, I confirm that I am independent of the Council's financial management and internal control processes and have no conflicts of interest.

AUDIT REPORT

I reviewed the documentation provided, information published on the Council's website, and records held on the Scribe accounting system.

The Precept for the year 2025/26 was set at £262,398.

AUDIT POINT	AUDIT FINDINGS	RECOMMENDATIONS & ACTIONS
A. Appropriate accounting records properly kept throughout the financial year		
Bookkeeping Arrangements	• *Appropriate accounting records are maintained and kept up to date. The Council operates on an Income & Expenditure basis.* • *The Council uses Scribe as its accounting system, which is being utilised appropriately.* • *The Council's minutes are up to date, signed and dated.*	
B. Financial Regulations complied with, payments supported by invoices, expenditure approved, VAT appropriately accounted for		
Reviews of documents, internal controls and decision making.	• *Standing Orders were reviewed during the year and are based on the current NALC model document.* • *Following the Interim Audit, the Financial Regulations were reviewed again and are based on the current NALC model document.* • *There were no contracts entered into during the year that required formal advertisement under procurement legislation.* • *The Council adheres to its Standing Orders and Financial Regulations in relation to regular procurement.* • *Payment authorisation and online banking arrangements appear to be operating in accordance with the Council's current Financial Regulations. However, the current Regulations allow the RFO to authorise expenditure within the agreed budget and process payments below £15,000 without a separate approval stage by bank signatories. Whilst no issues were identified from the sample of payments reviewed, this does not provide a sufficiently robust separation of duties, does not adhere to a bank mandate and does not give adequate protection to either the RFO or the Council.* • *VAT was appropriately accounted for and reclaimed during the year.*	The Council's current Financial Regulations appear to provide the RFO with authority to authorise expenditure within the agreed budget, with dual authorisation only required for payments over £15,000. This means that, in practice, the majority of routine payments may be both set up and processed by one officer. Whilst some banks do not have ability to enable dual control over the release of payments, the Council still does need to have a system in place which ensures that signatories on the bank mandate are approving payments to be made from the bank account. It is recommended that the Council reviews its Financial Regulations and banking controls to ensure that there is an appropriate separation between the officer who prepares and sets up payments and the councillors who are bank signatories, approving their release. This would provide a clearer audit trail and stronger protection for both the RFO and the Council. Where payments are processed electronically, evidence of bank approval and confirmation of payment should be retained with the invoice or payment record, so that the audit trail clearly demonstrates the amount paid, the payee, the date of payment and the person or persons approving release of the payment.

	• *A sample of payments was tested and confirmed to be supported by appropriate invoices, with all expenditure approved by Council post-payment.* • *From the sample reviewed, invoices are verified and certified in accordance with the Council's Financial Regulations.*	Once a decision has been made to accept a quotation, the approved supplier or contractor and the agreed contract value should be clearly recorded in the minutes for transparency and audit trail purposes.
C. Risk management & Insurance assessed and reviewed and adequate		
Review of internal controls	• *The Council undertook a review of risk in the year.* • *Insurance arrangements were reviewed. Fidelity cover is currently £500,000 having been increased after the Interim Audit recommendation and is considered adequate.* • *Arrangements are in place for managing and reporting operational risk.*	
D. Budget, Precept and Reserves have adequate processes, progress monitored and appropriate		
Review of internal controls, monitoring and decision making	• *An annual budget was prepared and approved prior to setting the precept.* • *Budget monitoring during 2025/26 was evidenced in the minutes.* • *The Council reviewed its reserves.* • *General reserves are at an appropriate level.*	The precept for 2026/27 is £275,344
E. Income fully received, properly recorded, banked and VAT accounted for		
Review of internal controls, banking and VAT accounting	• *The precept received in 2025/26 agreed to the approved precept amount and was reported to Council.* • *From the records reviewed, income appeared to be received as expected.* • *Fees were reviewed during the year.*	
F. Petty Cash supported by receipts, approved and VAT accounted for		
Review of internal control	*A petty cash system is appropriately operated by the Council.*	
G. Payroll paid in accordance with approvals and PAYE and NI properly applied		

Review of process, internal controls and decision making	• *Appropriate contracts of employment were in place in the audit year.* • *The Council is registered with HMRC as an employer.* • *The Council is registered with The Pensions Regulator and has a pension scheme.* • *Salaries were paid in accordance with Council approvals and PAYE and NI requirements were properly applied.* • *Staff appraisals are undertaken.* • *Councillors do not receive allowances.*	The Council needs to check its insurance with regard to Clause 14 of staff employment contracts to ensure it aligns sufficiently with Green Book terms as stated in the contract.
H. Assets, Investments and Loans complete, accurate and properly maintained		
Review of registers, policies and records	• *The Council holds an asset register which has been reviewed.* • *Since the Interim Audit, Council has adopted an Investment Strategy.* • *The Council has Public Works Board Loans and the balances were formally verified.*	It is recommended that building valuations are reviewed on a rebuild cost basis if this has not been implemented within the last five years.
I. Bank Reconciliations carried out properly during the year		
Review of internal controls	*Bank reconciliations are undertaken in accordance with Financial Regulations and reported to Council.*	
J. Accounting Statements prepared on correct basis, agreed to cash book, supported by audit trail		
Review of process	• *Appropriate accounting procedures are used and can be followed through from working papers to final documents.* • *End of year accounts were prepared on an Income & Expenditure basis.* • *Figures were checked against the Council's records and appropriate audit trails.*	
K. Limited Assurance Review in 2024/25 – exemption criteria considered		
Criteria review	*The Council did not meet the criteria for exemption from a Limited Assurance Review.*	
L. Website publishes required information, is up to date and in accordance with relevant legislation		

Review of published information on website	• *The Local Government Transparency Code 2015 applied to the Council in 2025/26 and the website publishes information in accordance with that legislation. Additionally:* • *Three years of minutes & agendas are published to the Council website along with agenda reports.* • *Five years of AGAR information is available on the website.* • *There are contact details for Councillors on the website along with their responsibilities.* • *An ICO publication scheme is published to the website.*	
M. Exercise of Public Rights correctly provided for		
Review of 2024/25	*In 2024/25, the Council correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations.*	
N. AGAR publication complied with		
Review of 2024/25	*The Parish Council complied with the publication requirements for the 2024/25 AGAR.*	
O. Digital and Data Compliance with relevant laws, regulations & proper practices		
	The Council has demonstrated compliance with relevant legal and proper practice requirements relating to digital and data compliance.	It is recommended that a data audit be completed annually and presented at future internal audits.
P. Trust Funds – The Council met its responsibilities as a trustee		
Review if applicable	*The Council met its responsibilities as sole trustee for the Jeremiah Matthews Goodall for Open Space or Recreation Ground.*	

Transparency Compliance		
PROCESS	**FINDINGS**	**RECOMMENDATIONS & ACTIONS**
1. Review of Internal Audit 2024/25 considered and actioned		

Good Practice	*The Internal Audit report was reviewed by Council. There were no matters raised.*	The Internal Audit Report was published to the website but the IA AGAR report should also be published.
2. External Audit recommendations 2024/25 considered and actioned		
Good Practice	*The External Auditor's Report and Certificate for 2024/25 was received, reviewed by Council and published on the website. There were no matters requiring attention.*	
3. Compliance with Transparency Code		
Good Practice / Legal conformity	*The Council falls within the scope of the Transparency Code 2015 and has met the publishing requirements.*	

Technical, Governance Observations and Further Recommendations:

This report needs to be reviewed in conjunction with the Interim Audit undertaken 28th December 2025. Many of the recommendations which were able to be actioned to correct findings at that time have been undertaken and it is recommended that Council ensure that all remaining actions are implemented during the course of the coming year.

The Committee Terms of Reference provide for financial delegation. However, from the documents reviewed, the wording across the Terms of Reference does not appear to provide a clear and consistent financial scheme of delegation. References to Committees monitoring, maintaining or managing budgets delegated by the Council do not, in themselves, clearly define the financial limits within which Committees may authorise expenditure, accept quotations, enter into contracts or refer decisions back to Full Council.

It is therefore recommended that the Council reviews its Financial Regulations and Committee Terms of Reference together, to ensure that delegated financial authority is clearly documented. This should include defined financial limits for Officers, Committees and Full Council, and should make clear when expenditure may be authorised by a Committee, when it must be referred to Full Council, and what evidence should be retained in the minutes to support the decision-making audit trail.

Conclusion

The observations and recommendations within this report, together with those contained in the interim report, are intended to help the Council further strengthen its internal controls and governance processes. They do not detract from the work already undertaken by the Council and the Parish Clerk.

I would like to thank the Parish Clerk for the timely provision of documentation and for his assistance, which supported the smooth delivery of the audit.

This report should be formally received and noted at the next meeting of the Council, recorded in the minutes and published on the website.

Should you require any further assistance or clarification, please do contact me.

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