

Harrietsham Parish Council

Internal Audit Report (Final update) 2025-26

Stuart J Pollard

*Director
Auditing Solutions Ltd*

Background

The Accounts and Audit Regulations introduced from 1st April 2001 require all Town and Parish Councils to implement 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).

We have agreed with the RFO that, to again ease work pressures at the end of the financial year, we would undertake separate interim and final reviews remotely for 2025-26, with the latter undertaken once the year's Accounts have been closed down.

We thank the Responsible Financial Officer (RFO) and Council for their agreeing that this year's IA review may be undertaken remotely: an interim review took place on 2nd December 2025, with a final review completed on 9th April 2026. We thank the RFO for his assistance, providing all necessary documentation in electronic format to facilitate completion of our review for the year.

Internal Audit Approach

We have, as previously, had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR and have employed a combination of selective sampling techniques (where appropriate) and 100% detailed checks in the key areas covered by the IA Certificate in the year's AGAR.

Our programme of cover is also designed to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework.

Overall Conclusion

We are pleased to again conclude that, based on the satisfactory conclusions drawn from the work undertaken this year, the Council and its officers continue to maintain adequate and effective internal control arrangements: we also wish to acknowledge and thank the RFO for maintaining a very tidy set of records and are pleased to record that no significant concerns have been identified this year warranting formal comment or recommendation. We are also pleased to acknowledge the Council's actions to ensure compliance with GDPR disclosure requirements and security of the Council's website leading to the assignment of a positive response to the new Assertion 10 in the year's Governance Statement.

We have duly completed and signed the 'IA Certificate' in the year's AGAR, having concluded that, in all significant respects, the control objectives set out in that certificate were being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

We draw the Clerk and RFO'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

Maintenance of Accounting Records & Bank Reconciliations

The Council's RFO has continued to maintain the Council's accounting records in Excel spreadsheet format, which we consider appropriate for the Council's present requirements affording an effective means of identifying all transactions during the financial year. Two bank accounts are in use with NatWest Bank plc, together with deposits in the Cambridge and Nationwide Building Societies.

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the cashbooks or bank account detail. We have: -

- Ensured the accurate roll forward of the 2024-25 combined account closing balance as the opening balance for 2025-26;
- Ensured that an appropriate analysis of receipts and payments is incorporated in the spreadsheet cashbooks to assist financial monitoring during the year;
- Ensured that the accounts remain 'in balance' at the financial year-end;
- Checked and agreed transactions in the spreadsheet cashbook to the two NatWest Bank and both Building Society accounts statement detail for the year;
- Checked that bank reconciliations are prepared routinely each month and verified the accuracy of the combined account bank reconciliations for a sample of month-ends during the year including that at 30th November 2025 (on the NatWest accounts) and 31st March 2026 on all accounts noting that no long-standing uncleared cheques or other anomalous entries exist at the year-end; and
- Ensured the accurate disclosure of the combined account balances in the year's AGAR at Section2, Box 8.

Conclusions

We are pleased to report that no significant issues arise in this area of our review process this year.

Review of Corporate Governance

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

We are pleased to note that both the SOs and Financial Regulations (FRs) have been reviewed and re-adopted in the current financial year and that, following our previous observation, both now record a consistent value of £30,000 for formal tender action.

We have reviewed the Council and Committee meeting minutes for the year as posted on the Council's website and provided by the RFO to determine whether any issues exist that may have either a legal or financial impact on the Council and its future financial stability, also considering whether any actions have been taken or are proposed that might result in ultra vires action or expense, with no such issues arising.

We have reviewed the Council's approach to facilitating a positive response to the new Assertion 10 in the 2025-26 AGAR Governance Statement and are pleased to confirm that having reviewed the

relevant documentation in place and discussed to position with the RFO, we consider that the Council has taken appropriate action and has all relevant and necessary controls and documentation in place to provide a positive assurance in this respect for 2025-26 and going forward.

We are also pleased to note that the 2024-25 AGAR has been signed off by the external auditors without qualification or comment. We also note that the Notice of Public Rights for members of the electorate to examine the Council's financial records has been published appropriately on the Council's website for the requisite 30 working days.

Conclusions

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

Review of Expenditure

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- Payments are supported by formal documentation, either as an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount;
- The correct analysis of expenditure in the cashbook has been applied to invoices when processed; and
- VAT has been appropriately identified and analysed appropriately in the cashbook to facilitate periodic recovery from HMRC.

Due to this year's review being undertaken remotely, we have, rather than request sight of all purchase invoices, elected a sample of 48 payments processed in the year: our selected sample includes all payments in excess of £1,000 plus every 20th payment recorded in the spreadsheet cashbook and equates to £79,385 and 74% of non-pay related expenditure. We thank the RFO for his assistance in providing copies of the selected invoices in electronic format and are again pleased to note that all payments in our test sample have been subjected to evidenced member scrutiny using the specifically designed rubber certification stamp.

We noted in our interim report that a VAT reclaim for the second half of 2024-25 was submitted to and been repaid by HMRC, detail of which we have agreed to the 2024-25 cashbook. We have subsequently, as part of this final review, examined the two half-yearly reclaims for 2025-26 agreeing them to the underlying cashbook for the year.

Conclusions

We are pleased to report that there are no issues arising in this area this year.

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 / 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 note that the Council has reviewed and re-adopted its Risk Assessment documentation at the July 2025 Finance Committee meeting, with subsequent approval at the next Council meeting, and have reviewed the resultant document, which we consider remains appropriate for the Council's present requirements.

We have examined the Council's insurance policy with Zurich noting that cover runs to 31st May 2026 with, in addition to premises, equipment, furniture and fittings, Public and Employer's Liability cover is in place set at £12 and £10 million respectively, together with Fidelity Guarantee cover set at £500,000 all of which we consider appropriate for the Council's present requirements.

The children's play area in the Glebe Field continues to be inspected regularly with written reports provided and retained accordingly. Further external annual inspections are also undertaken by a RoSPA accredited company with appropriate reports received and retained.

Conclusions

We are pleased to record that no issues arise in this area this year.

Budgetary Control and 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 MBC; 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 ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note from our review of minutes that members continue to receive periodic management accounting information, also noting that, following due deliberation on the budgetary and precept requirements for 2026-27, members agreed and adopted the latter at £186,615 at the January 2026 meeting.

We have again considered the appropriateness of the level of reserves retained to meet the Council's ongoing revenue spending requirements noting that at the year-end they have decreased to £216,976 (£220,468 as of 31st March 2025) of which £95,000 is recorded as retained in the Woodland Walk reserve leaving a General Reserve balance of £121,976, which equates to approximately 7 months' revenue spending at the 2025-26 level and sits comfortable within the generally recognised level of between 3 and 12 months such spending.

Conclusions

We are pleased to record that no issues arise in this review area this year.

Review of Income

Income arises from a variety of sources, including the precept, rent of the Medical Centre and associated service recharges, allotment rents, bank interest and Village Hall loan interest, hedge cutting recharge, grants and miscellaneous services provision.

We have checked detail of income received during the year to the underlying documentation provided by the RFO with no concerns identified. Allotment rents fall due annually from 1st October: We have examined the 2025-26 register of tenants and are pleased to note and record that all rents due to the Council have been received prior to the financial year-end.

We have also reviewed the FO's register of Hedge Cutting invoices raised again noting appropriate and timely recovery of the amounts invoiced.

We note that the full year's Medical Centre rent has been received, as has the appropriate initial loan instalment been repaid by the Village Hall Trust, the residue being recorded, as in previous years, as a debtor in the Accounts and AGAR prepared by the RFO.

Conclusions

We are pleased to record that no issues arise warranting formal comment or recommendation in this area at present this year: as above, we will issue an addendum to this report once we have had an opportunity to review the year's allotment register.

Petty Cash Account and Cash Payments

The Council does not operate a formal petty cash account, any "out-of-pocket expenses" incurred by the Clerk, RFO or members being reimbursed each month through the routine payment process, samples of which we have checked and agreed for the year as noted earlier in this report. No other form of cash payments has been made during the year, nor are any cash floats in existence.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the pension scheme are being met. To meet that objective, we have: -

- Noted that preparation of formal payroll documentation continues to be outsourced to an external provider based on the Council's advised pay scales and basic weekly working hours;
- Checked and agreed the gross amounts payable to all staff for August 2025, in which month the 2025-26 nationally agreed pay award was paid together with arrears due backdated to 1st April 2025 by reference to the approved staff pay rates;
- Ensured that the correct PAYE & NI deductions / Council contributions have been applied to the above month's salary payments by reference to the HMRC Basic PAYE Tools software;
- Similarly ensured that Pension deductions have been made in accordance with the appropriate percentages; and

- Ensured that the appropriate month's deductions and contributions have been paid over to the appropriate authorities in a timely manner.

Conclusions

We are pleased to report that no issues arise in this area of our review process.

Fixed Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to again note that the asset register has been updated in the year under review to include new acquisitions and have checked and agreed the detail, as recorded in the register, noting that it has been prepared correctly using purchase cost values (net of VAT) or, where that value is unknown, at the previous year's AGAR level. As in previous years, the AGAR asset value includes the residual loan liability balance repayable by the Village Hall Committee.

Conclusions

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

Investments and Loans

The Council holds no long-term investments, other than the residual loan debt at the year-end repayable by the Hall Committee, with any "surplus" funds held in the NatWest Business Reserve Account, together with additional funds held in the Cambridge and Nationwide Building Society accounts, interest being added to the latter accounts annually. As indicated in the first section of this report, we have agreed transactions on these accounts for the year to the underlying bank records.

We have previously recorded the preparation and adoption of an appropriate Investment Policy noting that it was reviewed and formally re-adopted by the Council in November 2024.

The Council has two residual loans recoverable from the Village Hall Committee. As in previous years, we have verified detail of the amounts recovered in the year to the agreed repayment schedule.

Conclusions

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

Statement of Accounts and AGAR

The 1996 Accounts and Audit Regulations, as amended periodically, required all Councils to prepare annually a detailed Statement of Accounts, together with supporting statements identifying other aspects of the Council's financial affairs. The AGAR now forms the Council's statutory Accounts subject to external audit review and certification.

We are pleased to note that the RFO continues to prepare and submit to Council more detailed Accounts and information than is provided in the statutory AGAR accounts. We have consequently agreed the accuracy of the financial information reported in the year's AGAR at Section 2.

Conclusions

No issues have been identified in relation to the verification of detail in the Statement of Accounts and AGAR this year and we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.