AUDITING SOLUTIONS LTD

Horndean Parish Council

Internal Audit Report 2025-26 (Final update)

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Background and Scope

Statute requires all town and parish councils to arrange for 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).

This report sets out the work undertaken in relation to the 2025-26 financial year during our two visits to the Council which took place on 13th October 2025 and 11th May 2026, together with work at our offices both in advance of and following those visits.

Internal Audit Approach

In undertaking our review for 2025-26 and in accordance with the requirements of the IA Certificate in the AGAR and the latest edition of the JPAG Practitioner's Guide we have again paid due regard to the materiality of transactions and their susceptibility to potential misrepresentation in the Accounts / AGAR, together with examining the overall governance framework. Our aim is to ensure that the Council continues to operate robust control systems and that transactions are, as far as we are reasonably able to ascertain, processed in accordance with national and locally approved legislation.

We have reviewed the Council's approach to ensuring compliance with the new, for 2025-26 Assertion 10 in the AGAR Governance Statement and are pleased to note the positive action taken to meet the requirements with a raft of appropriate policies and procedures prepared and adopted by the Council. Consequently, we consider that the Council can give a positive assurance in this respect as will we in the IA Certificate at Box "O".

Overall Conclusion

We again wish to acknowledge the high quality of documentation prepared and maintained by Council officers, which assists our review process.

Based on the overall satisfactory conclusions drawn from our review programme and testing of transactions for the year we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We also take this opportunity to draw the new Clerk'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.

This report has been prepared for the sole use of Horndean Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents, or conclusions.

Detailed Report

Review of Accounting Records & Bank Reconciliations

Our objective here is to ensure that accounting records are being maintained accurately and currently and that no anomalous entries appear therein, also that effective controls are in place to confirm the accuracy of that detail. The Council uses the Rialtas Omega software to maintain its accounting records, also using the Purchase, Sales Ledger and Bookings modules. Four bank accounts remain in use currently, two with the Co-op, one with Lloyds and one with Cambridge and Counties Bank: we note that only a few transactions occurred on the Co-op Select 14-day deposit account during the year including its effective closure in April 2025, with residual interest of £3.72 received subsequently in October 2025:

To ensure compliance with the above objective, we have: -

- Agreed the opening balances in the year's financial ledger with those in the 2024-25 Statement of Accounts and certified AGAR;
- Ensured that an appropriate Cost Centre and Coding structure remains in place;
- Checked and verified detail of four months' transactions on the Co-op Current account (April & September 2025, plus January and March 2026) cashbooks by reference to supporting bank statements;
- Checked and agreed detail of transactions on the other account cashbooks for the full financial year again by reference to supporting bank statements;
- Agreed detail of the month-end bank reconciliations on all accounts at 30th April and September 2025, plus 31st January and March 2026; and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 8.

We are pleased to note that a councillor continues to review and sign-off bank reconciliations and supporting bank statements quarterly.

Conclusions

We are pleased to record that no significant issues arise in this area this year warranting formal comment or recommendation. We do, however, suggest that arrangements be made for the residual balance on the Co-op Select 14-day deposit account to be repaid to the Council by the bank and the account be finally closed.

Review of Corporate Governance

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

We are pleased to note that the Council's Financial Regulations (FRs) have again been reviewed, brought into line with the latest NALC model document and been adopted by the Council in March 2026. We understand that the SOs will also be brought into line with the NALC model document and be adopted soon. We take this opportunity to remind the Clerk to ensure that the financial value to be recorded in the

SOs should be consistent with thar recorded at para 5.6 in the recently adopted FRs (i.e. £29,999 including VAT).

We have reviewed the full Council and Committee meetings' minutes for the year as posted on the Council's website or provided during our onsite visits, excluding those pertaining to Planning issues, to ensure that no issues exist affecting the Council's financial stability either in the short, medium or long term and are pleased to record that no such issues exist currently.

As indicated in the preface to his report, we are pleased to acknowledge the actions taken by the Council to ensure compliance with the requirements of the new Assertion 10 in the AGAR Governance Statement for 2025-26. We have reviewed the relevant policies and procedures and consider them appropriate to confirm compliance with Assertion 10 and for a positive response to be provided in the year's AGAR Governance Statement.

We also note that the external auditors signed off the 2024-25 AGAR with one relatively minor issue relating to the powers relied on for payment of a grant to the CAB, which were approved by Council under s.137 rather than the more appropriate s.142. We are also pleased to note publication of the legally required Notice of Public Rights to examine the Council's financial records for the requisite 30 working days for 2024-25.

Conclusions

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

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other form of document confirming the payment as due;
- Members take an active role in reviewing supporting documentation and approving expenditure for release;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure any applicable discount;
- The correct analysis has been applied to invoices when processed; and,
- Expended VAT is appropriately identified for recovery through reclaims prepared and submitted to HMRC quarterly.

We note that an official ordering system continues in place, which we consider affords the Council an effective control over procurement with copies of purchase orders married to resultant trade invoices. To ensure compliance with the above criteria, we have examined a sample of 75 payments in the financial year including all those individually more than £1,000, together with every 20th transaction as recorded in the cashbook in the year. Our test sample totals £269,150 equating to 71% by value of non-pay related expenditure in the year.

We are also pleased to note the continued use of a suitably designed certification stamp, which is affixed to each purchase invoice also noting that the Chief Officer initials these approving the payment. We also

note that a schedule of payments continues to be provided to members at the monthly Council meeting for their review and sign-off.

We note that quarterly VAT reclaims continue to be prepared and have agreed detail of the final 2024-25 and quarterly reclaims for 2025-26 to the underlying Omega control account quarter-end balances with all, bar that for the quarter ended March 2026 repaid by HMRC accordingly.

Conclusions

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

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 and 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 have examined the Council's insurance schedule with Zurich for 2025-26 with Public and Employer's cover in place at £15 million and £10 million respectively, together with Hirer's Liability cover of £2 million and Fidelity Guarantee cover of £1 million, all of which we consider appropriate for the Council's present requirements. We also note that Business Interruption – "Loss of Revenue" cover is in place at £52,000, which we also consider appropriate.

We are again pleased to note that the Council's Risk Register has been subjected to further review and re-adoption by the Council at its meeting in December 2025: we have reviewed the content of the document and consider that it remains appropriate for the Council's present requirements.

We have previously discussed the Council's inspection regime for its playground and recreation facilities noting that RoSPA conducts an annual inspection on each of the council's facilities with a separate inspection of outdoor gym equipment where fitted. Additionally, the Countryside Team, who are certified to conduct playground inspections by RoSPA, conduct inspections of each facility with detailed written reports produced, together with photographic evidence, detail of which is given to the Health & Safety officer for retention.

Conclusions

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

Review of Budgetary Control & 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 the parent Council: 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 revenue spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We are pleased to note that, following due deliberation of the Council's budgetary requirements for 2026-27, the Council approved and adopted at its December 2025 meeting the budget and precept setting the latter at £538,095 for the year.

We note that members continue to be provided with the latest budgetary position during the year, as generated by the Omega Accounts software and have examined the year's final budget outturn report following up any significant variances by reference to the related Omega nominal account codes. We are pleased to record that appropriate explanations have been identified for these, none of which require further enquiry. We note that the final year-end shows income at 149% of the year's approved budget, whilst expenditure stands at 99%: the high income percentage arises as a result of an unbudgeted neighbourhood grant of just over £139,000 and another unbudgeted grant of just over £45,000. The overall expenditure position is satisfactory, although there are one or two areas of overspent budget for which we have established appropriate explanations by reference to the Omega nominal code detail.

We have also considered the ongoing appropriateness of the Council's overall retained reserves which have significantly increased to £611,320 (£299,837 at the prior year-end): of that total, £271,208 is set aside in specified earmarked reserves (EMRs). The residual General Reserve balance of £310,112 (£177,376 at 31st March 2025) equates to approximately 6½ months' revenue spending at the 2025-26 level and sits comfortably within the generally recognised holding of between 3 and 12 month's revenue spending.

Conclusions

No issues arise in this review area warranting formal comment or recommendation.

Review of Income

The Council has relatively limited sources of income in addition to the annual precept, primarily arising from CIL monies, various grants and donations, VAT reclaims, bank interest, hire of the two halls and sports pitches, the last of which is based on an annually agreed sum, paid monthly by direct credit to the Council's current bank account.

We have previously reviewed the controls in place over the booking of the two halls, noting use of the Rialtas electronic bookings system and have examined a sample of two weeks' bookings (commencing Monday 4th August 2025) as recorded in the booking system ensuring that appropriately priced invoices have been raised and that they have been settled promptly. We are pleased to record that no issues have been identified in this area with no long-standing unpaid debts existing at the year-end, the oldest being dated 28th February 2026.

We have also reviewed the football pitch hire income as recorded in the Omega accounts ensuring recovery of the monthly agreed hire fees for the two clubs for the financial year.

Conclusions

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

Petty Cash Account

The Council does not operate a petty cash account, any incidental expenses incurred by staff being reclaimed and repaid monthly or as appropriate.

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that extant legislation is observed appropriately as regards adherence to the Employee Rights Act 1998 and the requirements of HMRC legislation as regards the deduction and payment over of income tax and NI contributions.

The Council continues to outsource preparation of the monthly payroll to a local company who provide a full service including the provision of appropriate payslips and supporting applicable detail including tax, NI and pension deductions / contributions.

Employees working overtime and / or claiming mileage expenses complete a monthly time / mileage sheet which is reviewed and signed off by the Chief Officer confirming appropriateness for payment. The RFO prepares a monthly summary schedule of any such overtime / travel expenses or other enhanced payments due to individual officers, which is provided to the payroll bureau for inclusion / payment with the subsequent month's salaries.

We note that the Council has now agreed the assimilation of all staff onto appropriate NJC scales and thank the former RFO for providing a detailed schedule of each staff member's basic gross salary, contracted working hours and other relevant detail, which we have used to verify the accuracy of detail in the August 2025 payslips that also included arrears payable from 1st April 2025 in respect of the 2025-26 national pay award. We have also agreed any enhanced / overtime hours and mileage expenses paid in April to the supporting monthly time / expense sheets.

We have verified, by reference to the above payslips, detail of that month's deductions for each employee in respect of tax, NI and pensions (where applicable) by reference to the relevant current year's HMRC tax & NI tables and the LG Pension scheme percentage rates. Additionally, we have ensured the accurate payment of net pay to each employee for August 2025 as recorded in the Omega cashbook.

Conclusions

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

Fixed Asset Registers

The Governance and Accountability Manual requires councils to develop and maintain a register of all assets. The Annual Return requires disclosure of the value of assets retained by the Council at 31st March annually, with a revision to the reporting detail issued in 2010 that requires asset values to be reported at cost price or, where that value is unknown, the prior year AGAR value updated to reflect the cost of any new acquisitions or deletions / disposals.

The Council continues to manage its Asset Register in an Excel spreadsheet which the new Clerk has reviewed and updated / amended appropriately to reflect new additions and disposals during the year. Consequently, the total value to be recorded in the year's AGAR at Section 2, Box 9 should read £1,949,700.

Conclusions

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

Review of Investments and Loans

The Council has, as indicated above, placed surplus funds in two bank accounts, one of which receives monthly interest, whilst the other only incurs the monthly £8.50 bank service charge with no other transactions. We again note the Council's re-adoption of its Investment Policy at the May 2024 Council meeting and have reviewed its content, which we consider remains appropriate for the Council's present situation.

We have verified the two half-yearly repayments to the UK Debt Management Office of the Council's outstanding loan for 2025-26 as part of our above payment review and have now, at this final review visit, also ensured the accurate disclosure in the AGAR at Section 2, Box 10 of the residual loan liability at 31st March 2026 by reference to the UK Debt Management Office "audit advice" notification.

Conclusions

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

Statement of Accounts & AGAR

The Council's annual Statement of Accounts is, as in previous years, generated automatically by the Rialtas Omega accounting software, together with the accounting detail for inclusion in the AGAR at Section 2, excluding the asset and outstanding loan liability values. We have, consequently, ensured the accurate recording of all values for submission to the external auditors by reference to the underlying Omega and other records, as reported above in this report.

Conclusions

We are pleased to record that no issues arise in this area and, based on the work undertaken during our review for the year, we have "signed off" the IA Certificate in the year's AGAR assigning positive assurances in all areas.