



27th May 2025

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2024/25 Interim Internal Audit Report for Ardleigh Parish Council

BASIS OF REPORT

This Internal Audit report is based on the 2024 Practitioners' Guide (Joint Panel on Accountability and Governance) 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 and was outlined in the original Letter of Engagement. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes. The Internal Audit Report should, therefore, be made available to all Members to support and inform them when they consider the Council's approval of the Annual Governance Statement.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

Please note: it would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. Smaller authorities are required by the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'. An 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 of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and Councillors and not left for internal audit. (Source: Governance and Accountability for Smaller Councils - A Practitioners' Guide 2024 – Section 4).

As Internal Auditor for Ardleigh Parish Council, I confirm that I am independent from the management of the financial controls and procedures of the Council and do not have any conflicts of interest with the Council, nor do I provide any management or financial assistance to the Council.

INTERIM AUDIT REPORT

I reviewed the Interim Audit report and documents provided and met with the Parish Clerk/RFO and Chairman of Council on 8th May 2025 and finalised the information on 27th May 2025.

The Council has a Parish Clerk/Responsible Financial Officer and Deputy Parish Clerk. The electorate number of the Parish Council was reported to be 2197 and the Precept for the year 24/25 was set at £81,077.

| AUDIT POINT | AUDIT FINDINGS | RECOMMENDATIONS & ACTIONS |
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| A. Appropriate accounting records properly kept throughout the financial year | | |
| Bookkeeping Arrangements | <ul style="list-style-type: none"> • <i>Appropriate books of account are being kept and are well maintained. The Council operates on a Receipts & Payments basis.</i> • <i>The Council uses spreadsheets for their accounting system and this is being used appropriately.</i> • <i>Council minutes are up to date and are signed and dated.</i> | |
| B. Financial Regulations complied with, payments supported by invoices, expenditure approved, VAT appropriately accounted for | | |
| Document reviews, review of internal controls and decision making. | <ul style="list-style-type: none"> • <i>Standing Orders and Financial regulations were reviewed in the year based on the current model versions at the time and are appropriately published to the website.</i> • <i>Where appropriate, contracts were advertised in line with procurement legislation.</i> • <i>Following the interim audit, the Council were mindful to follow the new procurement legislation for a recent services tender.</i> • <i>A sample of payments during the year were reviewed. Payments were supported by invoices and all expenditure was approved.</i> • <i>Following the interim audit recommendation, invoices are now being verified and certified.</i> • <i>The system for authorising payments from the bank account is adequate.</i> • <i>Orders are made in accordance with Financial Regulations.</i> • <i>VAT is appropriately accounted for and claimed annually.</i> • <i>Quarterly checks are undertaken independently by a Councillor.</i> | <p>The Clerk is aware that newer model versions are now available which accommodate the new procurement legislation, and this will be on a forthcoming agenda.</p> <p>It was noted from the Financial Regulations that ‘Personal credit or debit cards of members of staff should not normally be used.’ As this appears to be a regular occurrence, it is recommended that this practice ceases and an appropriate Council credit or debit card system be employed. The use of personal cards for council expenditure undermines transparency, weakens financial controls, and increases the risk of error or misuse; best practice—and in some cases legal compliance with the Accounts and Audit Regulations—requires all public spending to be traceable directly through council-held accounts. Additionally, staff should not be putting their own personal finances at risk.</p> |

| C. Risk management & Insurance | | |
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| Review of internal controls | <ul style="list-style-type: none"> <i>The Council undertook a review of risk management in February 2025.</i> <i>The scope and value of insurance was reviewed in May 2024 in time for the June renewal.</i> <i>Fidelity cover is £250,000 and is considered more than sufficient.</i> <i>Appropriate arrangements are in place for monitoring operational risk.</i> | Evidence confirms that a Risk Register is in place. A column showing residual risk scores (post-control) would enhance transparency and monitoring. |
| D. Budget, Precept and Reserves | | |
| Review of internal controls, monitoring and decision making | <ul style="list-style-type: none"> <i>An annual budget was prepared and approved in January prior to setting the precept.</i> <i>Progress against the 2024/25 budget was monitored.</i> <i>The Council reviewed its level of reserves and Reserves Policy during the year. The General Reserve level is acceptable.</i> | <p>It is recommended that the approved budget figure is clearly minuted and that both the Council budget and precept demand be published on the Council's website so the electorate can view how the Council plan to spend their precept contribution.</p> <p>The precept for 2025/26 is £97,309</p> |
| E. Income | | |
| Review of internal controls, banking and VAT accounting | <ul style="list-style-type: none"> <i>The precept received in 2024/25 agreed to the precept demand.</i> <i>A VAT claim for 2022/23 was submitted during the year and reimbursed. A claim for 2023/24 and 24/25 is being submitted.</i> <i>Burial fees were reviewed in March 2025 following the recommendation of the interim audit review.</i> <i>Income was not fully received as expected with regard to the Burial fees but it is understood that the Council intends to strengthen internal processes before considering the adoption of a formal Debtor policy.</i> | It is recommended that the Council reviews the current arrangement whereby a Councillor is directly administering the burial service. Operational and administrative functions, including the handling of statutory records, issuing of documentation, and liaison with funeral directors or bereaved families, should ordinarily be carried out by an appointed officer of the Council (e.g. the Clerk or an authorised deputy). Under Section 101 of the Local Government Act 1972, a Council may arrange for the discharge of its functions to an officer, committee, or another local authority — but not to an individual Councillor. Continuing this arrangement risks undermining lines of accountability. It is therefore recommended that the Council formalises this responsibility within officer duties to ensure compliance with proper governance and data protection obligations. |

| F. Petty Cash | | |
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| Review of internal controls, decision making and VAT accounting | <i>A Petty cash system is not operated by the Council.</i> | |
| G. Payroll | | |
| Review of process, internal controls and decision making | <ul style="list-style-type: none"> <i>Appropriate contracts of employment are in place.</i> <i>The Council is registered with HMRC as an employer.</i> <i>The Council is registered with the Pension Regulator and employees are automatically enrolled for a pension.</i> <i>Salaries were paid in accordance with Council approvals and PAYE and NI requirements were properly applied.</i> <i>A staff appraisal system is in place.</i> <i>Councillors receive allowances but these were not claimed in 24/25.</i> <i>The Chairman's allowance is paid quarterly directly to the Chairman as a round sum and therefore has a tax liability but is not being processed through the Council's payroll system.</i> | Chairman's Allowance (per Section 15(5) of the Local Government Act 1972) is a payment to reimburse expenses reasonably incurred in connection with the role. However, if paid as a flat-rate or round-sum allowance, it is treated by HMRC as remuneration, not reimbursement — and must be subject to PAYE (Income Tax and possibly National Insurance). HMRC requires that any regular or fixed payments made to individuals — including councillors — be processed through the Council's payroll system. This ensures proper tax is deducted at source, in accordance with PAYE regulations. The Council cannot lawfully delegate tax treatment to the individual via self-assessment. HMRC can hold the Council liable for failing to deduct and pay tax correctly. It is recommended that the Council process the Chairman's allowance through its payroll if it is a regular round-sum payment with PAYE deductions applied. If the payment is instead for reimbursing actual expenses backed by receipts, it may be paid gross. |
| H. Assets, Investments and Loans | | |
| Review of registers, policies and records | <ul style="list-style-type: none"> <i>The Council holds an asset register which is up to date and assets were inspected internally during the past year for risk.</i> <i>Following the interim audit review, the Council have implemented and Investment Strategy.</i> | It is recommended that the Council adds a column to the asset register to record replacement or insurable values, aiding risk management and insurance reviews. |
| I. Bank Reconciliations | | |
| Review of internal controls | <ul style="list-style-type: none"> <i>The Clerk undertakes monthly bank reconciliations.</i> <i>Whilst this is reviewed as part of the internal control process, it does need to be evidenced in the minutes.</i> | It is recommended that in accordance with the Council's Financial Regulation 2.6, Council should clearly record that this internal control is being undertaken. |

| J. Accounting Statements | | |
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| Review of process | <ul style="list-style-type: none">• <i>Appropriate accounting procedures are used and can be followed through from working papers to final documents.</i>• <i>End of year accounts were prepared on a Receipts & Payments basis.</i>• <i>Figures were checked to Council's records.</i> | <p>It was highlighted to the Clerk that the minutes do need to evidence that the Governance statements were resolved individually by Council.</p> <p>The Council should receive and minute the AGAR Annual Internal Audit Report before approving the Annual Governance Statement and the Accounting Statements.</p> |
| K. Limited Assurance Review | | |
| Criteria review | <i>The Council does not meet the exemption criteria.</i> | |
| L. Transparency Code | | |
| Review of published information on website | <ul style="list-style-type: none">• <i>In 2024/25, the Transparency Codes did not apply for the Council.</i>• <i>The Council's website does not indicate that it is WCAG 2.2AA compliant in respect of the latest Accessibility Regulations.</i>• <i>Five years of AGAR information is available on the website.</i>• <i>There are no contact details for Councillors on the website and neither their responsibilities within Council are stated.</i>• <i>There is no accessibility statement on the website although this was noted in the interim audit review so is presumed to be in hand.</i> | <p>The Information Commissioner's Office (ICO) provides guidance under the Model Publication Scheme, which applies to public authorities including parish and town councils. Under this scheme, councils are expected to proactively publish certain information to their websites. A checklist can be provided upon request or visit https://ico.org.uk/for-organisations/foi/publication-schemes-a-guide/</p> <p>It is recommended that Council consider 5.210-5.219 of the Practitioners' Guide 2024 – the importance of using .gov.uk domains for websites and emails.</p> <p>Council will have to ensure that for the 2025/26 AGAR they meet the new Assertion 10 that will be introduced into the Governance Statement – Digital and data compliance. See section 5.117-5.128 of the Practitioners' Guide 2025. Failure to ensure all councillors use council email addresses could result in non-compliance with the digital governance assertion and increase the risk of data breaches under UK GDPR.</p> |
| M. Exercise of Public Rights | | |
| Review of 2023/24 | <i>The Council published the exercise of public rights notice on the website and noticeboard with the following dates: 18th June to 29th July inclusive. This appropriately included the first 10 working days of July and was formally minuted.</i> | |

| N. AGAR publication | | |
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| Review of 2023/24 | <i>The Parish Council has complied with the publication requirements for the 2023/24 AGAR.</i> | |
| O. Trust Funds | | |
| Review if applicable | <ul style="list-style-type: none"> <i>The Council is sole trustee for the Recreational Ground and following the interim audit review, the Council is aware of the responsibility to keep trust business separate from the Council.</i> <i>The Council is acting as sole Trustee for the Village Hall, but the governance position is under review as the Trust document may not have been lodged correctly.</i> <i>The Council during this audit year has taken steps to meet its responsibilities as Trustee for both facilities pending further information from the Charity Commission.</i> | |

| Transparency Compliant | | |
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| PROCESS | FINDINGS | RECOMMENDATIONS & ACTIONS |
| 1. Review of Internal Audit 2023/24 considered and actioned | | |
| Good Practice | <i>The Internal Audit was reviewed by Council. There were no matters brought to Council's attention.</i> | |
| 2. External Audit recommendations 2023/24 considered and actioned | | |
| Good Practice | <i>The Conclusion of Audit report was received for 23/24 and published on the website.</i> | |
| 3. Compliance with Transparency Code | | |
| Good Practice / Legal conformity | <i>The Council does not have to strictly adhere to the Transparency Code and publish all elements.</i> | |

Technical Observations and Further Recommendations:

Additional recommendations to those already highlighted in the Interim Audit report 20th January 2025 are:

- Council is reminded that Financial Regulations should reflect the Council's procedures e.g. in the authorisation and making of payments.
- To comply with UK GDPR and the Data Protection Act 2018, the Council should adopt a Data Protection Policy and Subject Access Request Procedure as a minimum in addition to the Privacy Notice already adopted. A checklist can be provided upon request.
- The Council has an adequate storage system for both digital and hard copy documentation. The Council does need to adopt a Document Retention Policy though.
- There will be some changes to the 2025/26 AGAR documentation. It is therefore recommended that the Clerk become familiar with the proper practices outlined in the Practitioners Guide 2025 which is now available.

Conclusion

The Council have made progress in the year implementing and improving systems following recommendations in the Interim Internal Audit review and this evidences that the Parish Council remain a proactive Council for its community. As always, the above are recommendations to help the Council improve its processes further and in no way detract from the work it, and the Parish Clerk have already done.

The Parish Clerk continues to demonstrate a proactive and diligent approach to strengthening governance and internal controls, which is to be commended.

My thanks are given to the Parish Clerk for providing documents on time and for her assistance which has ensured the smooth progress of the review process.

This report should be noted and taken to the next meeting of the Council for minuting to inform them of the Internal Audit work carried out.

If you would like any further assistance or clarification, please do contact me.

Helen Symmons

Legra Internal Audit Service
Internal Auditor