HERTFORDSHIRE IAS

Internal Audit Report

(To be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the 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 council through its staff and management and not left for internal audit. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chairman of the Council:

This audit has been undertaken remotely, as agreed with the Clerk, Steven Patmore. The Council's website was used to review relevant published information, and a list of questions was issued to the Clerk via email for completion in advance of the meeting. A Microsoft Teams meeting was held on 11 June 2026, following which further supporting documentation was requested and subsequently provided via email to enable completion of the internal audit.

General

During the course of the audit, the Council's arrangements for the management and control of its business were reviewed, including bookkeeping, due process (i.e. compliance with proper practices as set out in the *Practitioners' Guide*), risk management, budget setting and monitoring, payroll, asset management, bank reconciliations, internal control, and year-end procedures. Evidence was also sought to confirm that the previous year's internal and external audit reports had been appropriately considered and reported to the Council.

I understand that the Council experienced a challenging period during 2025/26, with no Clerk in post until September 2025. These circumstances are considered to have contributed to some of the issues identified during the internal audit process.

Name of council:	**Ickleford Parish Council**		
Name of Internal Auditor:	Monika Duong	Date of report:	14 June 2026
Year ending:	31 March 2026	Internal Audit completed on 14 June 2026	Audit meeting 11/06/26

A. Appropriate accounting records have been properly kept throughout the Year.	**NO**

Accounting records were not fully maintained during the review period. Cashbook transactions were recorded in an Excel spreadsheet, which is prone to human error. No invoice records were available for review for the period April 2025 to August 2025, as confirmed by the Clerk. Transactions during this period were recorded in the cashbook based on bank statements without supporting documentation. However, from September onwards, following the appointment of the current Clerk, supporting records were available from this point. It is understood that the Council is currently in the process of migrating its financial records to the Scribe accounting system.

The absence of supporting documents and reliance on manual records increases the risk of errors and inaccurate financial reporting.

Recommendations to the Council

- The Council should ensure that all transactions are supported by appropriate documentation and that financial records are properly maintained and retained.
- The Council should continue its transition to the accounting system and ensure that appropriate controls are in place to support accurate and complete financial record-keeping.

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	**NO**

A review of Council meeting minutes confirmed that payments were authorised by the Council during the year. However, as noted under Assertion A, supporting invoices and documentation were not available for review for the period April 2025 to August 2025.

Due to the absence of supporting records, it was not possible to verify that all expenditure was supported by invoices or that all payments complied fully with the Council's financial regulations.

The cashbook was maintained in an Excel spreadsheet and VAT entries were reviewed as part of the audit. Due to the missing supporting documentation, some VAT transactions could not be verified. In addition, VAT had been incorrectly recorded against certain payments to HMRC and NEST, which are not subject to VAT. This indicates weaknesses in the Council's VAT accounting processes.

Recommendations to the Council

• Ensure that all expenditure is supported by appropriate invoices and documentation, which should be retained in accordance with the Council's records management requirements.

• Maintain a complete audit trail for all transactions to demonstrate compliance with the Council's financial regulations.

• Review VAT accounting procedures and ensure that the correct VAT treatment is applied to all transactions, particularly payments that are outside the scope of VAT, such as HMRC and NEST payments. It is also noted that VAT was not reclaimed during the audited period.

• Undertake periodic checks of VAT records to ensure that VAT is correctly identified, recorded and reclaimed where appropriate.

C. The authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	**NO**

Based on the information provided and discussion with the Clerk, it was found that the risk assessment had not been reviewed or updated during the 2025/26 financial year.

Recommendation to the Council:

- Ensure that a risk assessment is carried out annually. A comprehensive register of assessed risks, both regular and ad hoc, should be prepared and formally reviewed and adopted by the Council at least once each financial year.

D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves were appropriate.	**NO**

The Council is compliant in some respects in this area; however, there are weaknesses in the recording and evidencing of the budget and precept-setting process, particularly in relation to the correct sequence of approval.

The statutory framework for setting the precept is set out in the Local Government Finance Act 1992 and associated regulations and guidance. The budget should be approved first, with the precept then determined as a direct consequence of the approved budget requirement. The precept should not be set in advance of the finalised budget.

Following discussion with the Clerk and Responsible Financial Officer (RFO), it is confirmed that the draft budget was considered at the meeting on 14 January 2026. However, the agenda item relates only to the budget and does not explicitly refer to the precept. In addition, the minutes do not clearly record the final approved budget figure.

It is therefore not clear that the precept calculation was directly and transparently based on a formally approved budget. The precept calculation should be clearly evidenced and demonstrably derived from the final approved budget requirement.

It is also unclear whether budget monitoring was undertaken regularly throughout the financial year. Furthermore, reserves should be reviewed as part of the budget-setting process to ensure they are adequate, appropriate, and clearly reflected in financial planning.

A further weakness is that the budget and precept calculation were not clearly published or presented as part of the agenda papers, reducing transparency and limiting the clarity of the decision-making process.

The reason for a "No" response is the lack of clear evidence that the precept was properly based on an approved budget and that the correct sequence of approval was followed and clearly documented.

Recommendations to the Council ;

The Council should ensure that:

• The annual budget is fully approved prior to the approval and setting of the precept;

• The precept is then calculated based on the approved budget requirement, ensuring a clear and transparent audit trail;

• The approved budget requirement and resulting precept are clearly stated and recorded separately in the minutes;

• Budget papers clearly distinguish between the budget requirement and the calculated precept and are included in agenda documentation to improve transparency and audit clarity; and

• Reserves are formally reviewed during the budget-setting process, with clear documentary evidence retained.

E. Expected income was fully received based on correct prices, properly recorded, and promptly banked; and VAT appropriately accounted for.	**YES**

No abnormality has been observed.

F. Cash payments were properly supported by receipts, all cash expenditure was approved, and VAT appropriately accounted for.	**N/A**

The reason for the Not Covered response for Objective F is that I understand that your Council does not maintain any Cash

G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	**YES**

The Clerk is the sole employee of the Council, and payroll is administered by an external payroll provider. It is understood that there was a gap in employment during the year, with the current Clerk joining the Council in September 2025.

Reference is also made to the comments below under Objective J regarding the accounting treatment and recording of staff costs.

H. Asset and investment registers were complete and accurate and properly maintained.	**YES**

The Asset Register was obtained and reviewed. Assets are recorded at purchase cost and are not revalued unless disposed of, which is appropriate for accounting purposes. No changes have been made since the previous year.

Clarification is required regarding certain assets shown on the insurance schedule which do not appear to be included within the Asset Register.

The Council should also consider enhancing the Asset Register by including an additional column for insurance values. While assets are correctly recorded at historic purchase cost, insurance values may differ and are required for insurance purposes. Including insurance values would assist the Council in ensuring that all assets are adequately insured and would support more effective risk management and asset protection.

Recommendations to the Council;

• The Council should consider adding an additional column to the Asset Register to record insurance values, to ensure that assets are appropriately insured and to support effective risk management and insurance review processes.

• The Council should undertake a reconciliation between the Asset Register and the insurance schedule to ensure that all insured assets are correctly included and any differences are clearly identified and investigated.

I. Periodic bank reconciliations were properly carried out throughout the year.	**NO**

There was no evidence of regular reconciliation of the cashbook to bank statements during the year, and the year-end bank reconciliation had not yet been completed. However, year-end bank statements were available for review and were used to verify the closing cashbook balance as at 31 March 2026.

In accordance with paragraphs 5.19 and 5.20 of the *Practitioners' Guide to Governance and Accountability for Smaller Authorities in England*, bank reconciliations are required to be prepared regularly, approved by members, and recorded as part of the formal minute record. The year-end bank reconciliation is a key financial control, providing evidence to support the total cash and short-term investments balance shown in Line 8 of Section 2 of the AGAR. Particular care is required at year-end to ensure that bank statements reconcile to balances as at 31 March.

Paragraph 1.10 further confirms that bank reconciliations should be prepared on a regular basis, including at the financial year-end, and should be reviewed by members of the authority.

Recommendation to the Council:

• The Council should ensure that bank reconciliations are carried out regularly throughout the financial year, including at the financial year-end, and are reviewed and approved by members of the Council

J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cashbook, supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.	**No**

The year-end accounts were prepared on a receipts and payments basis; however, it was not possible to fully confirm that all figures were correctly recorded in the cashbook due to missing underlying records.

The following observations were identified during review of the draft accounting statements and audit trail:

• The balance brought forward in Line 1 for 2025/26 differs from Box 7 of the 2024/25 accounts by £449.

• Line 2 (Precept 2025/26) is recorded as £62,916, which does not agree to the Government precept notification, which shows £60,380.

• Any Council Tax Support Grant received should be separately identified and recorded within Line 3 (Total other receipts), where applicable.

• Line 4 (Staff Costs) includes items which appear to be incorrectly classified, including mileage payments, payroll costs, working from home allowance, staff training, and HR consultancy costs. These items are not classed as staff costs for the purposes of Line 4 in accordance with paragraph 2.16 of the *Practitioners' Guide to Governance and Accountability for Smaller Authorities in England*, which defines staff costs as gross salary, employer National Insurance contributions, employer pension contributions, gratuities, and severance or termination payments. Items such as mileage, training, homeworking allowances, and consultancy/agency costs should instead be included within Line 6 (Any other payments). The Guide also requires that where classification is adjusted, comparative figures should be restated on a consistent basis.

Due to the issues identified above, together with incomplete supporting records, the audit trail is not sufficiently robust to confirm full agreement between the accounting statements, cashbook, and underlying documentation.

Recommendations to the Council;

The Council should ensure that:

• All year-end accounting statements are fully reconciled to the cashbook and supported by complete underlying records, including bank statements and external notifications;

• Any differences between opening balances and prior year closing balances are investigated, reconciled, and formally documented;

• Precept and grant income figures are correctly recorded in accordance with official notifications received from the relevant authorities;

• Expenditure is correctly analysed and allocated in line with the requirements of paragraph 2.16 of the *Practitioners' Guide to Governance and Accountability for Smaller Authorities in England*;

• The accounting statements are prepared in accordance with paragraph 2.11 of the *Practitioners' Guide to Governance and Accountability for Smaller Authorities in England*, ensuring compliance with proper accounting and reporting requirements, including correct presentation, consistency, and adherence to the prescribed format;

• Comparative figures are reviewed and, where classification changes occur, restated consistently in line with the Practitioners' Guide; and

• A clear and consistent audit trail is maintained throughout the year to support accurate year-end reporting.

K. If the authority certified itself as exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt.	**N/A**

The reason for the “Not Covered” response for Objective K is that it is not applicable to your Council as the Council did not certify itself exempt from limited assurance review in the prior year.

L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation	**NO**

A significant amount of the required information is available on the Council’s website; however, not all publication requirements are met. As a result, compliance in this respect is assessed as not fully satisfactory.

M. In the year covered by the AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit regulations.	**NO**

The 30-working-day period for the exercise of public rights was not published before the start of the period.

N. The authority complied with the publication requirements for the 2024/25 AGAR.	**NO**

The Council has not complied with the publication requirements for the prior year AGAR 2024/25. The AGAR has not been published as required and is not available to view on the Council’s website.

O. The authority has complied with laws, regulations and proper practices resulting to digital and data compliance.	**NO**

Assertion 10 is a new category for all councils to review and determine for audit year 2025/26. The statutory requirements are not new but have been separated out to offer greater clarity. Compliance with Assertion 10 should be assessed by council using the 2025/26 Practitioners Guide (unless council choose to use the updated 2026/27 guide).

In addition, to ensure this area is audited Internal Auditors have been provided with a new control category 'O' which has unfortunately been omitted from the Internal Audit guidance section of the Practitioners Guide for 2025/26.

This year, the Council has been assessed on the basic requirements using a proportionate approach to determine compliance. Not all minimum requirements were met. In particular, evidence of a Data Protection Policy and IT Policy could not be obtained. In addition, the Accessibility Statement was reviewed in May 2026, which falls outside the 2025/26 financial year. The Clerk was unable to demonstrate that these policies were in place during the year under review.

Other requirements, including the provision of a generic email address, were met.

Recommendation to the Council:

The Council should ensure that full reference is made to all relevant sections of the *Practitioners' Guide* for 2026/27 to ensure compliance with the enhanced requirements for that year.

P. Trust funds (including charitable) - the Council met its responsibilities as a trustee.	**N/A**

The reason for the "Not Covered" response for Objective P is that I understand the Council does not act as a trustee.

Having tested all of the objectives of internal control as set out in the Internal Audit section of the AGAR, through the examination of evidence and discussions with the Clerk, Steven Patmore, I have signed off the AGAR as required.

As stated at the beginning of this report, I understand that the Council has experienced a very difficult period during the year under review, which has had an impact on the operation and maintenance of financial and governance controls.

I would like to thank the Clerk for their assistance during the course of the audit.

Yours sincerely,

Monika Duong
Internal Auditor to the Council
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The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2025)*. It is a guide to the accounting practices to be followed by local councils, and it sets out the appropriate standard of financial reporting to be followed.