AUDITING SOLUTIONS LTD

Fernhurst Parish Council

Internal Audit Report 2025-26 (Final-update Internal Audit)

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Consultant Auditor

For and on behalf of
Auditing Solutions Ltd

Background

Statute requires all town and parish councils to arrange for an independent internal audit examination of their accounting records and system of internal control and for the conclusions to be reported each year in the Annual Return.

This report sets out the work undertaken in relation to the Interim Internal Audit for the 2025-26 financial year; the year-end (final update) review of the year undertaken on the 28th and 29th of April which supplements the interim review which took place on the 25th of January 2026. Both reviews were undertaken remotely, at our offices.

Internal Audit Approach

In commencing our review for the year, we have again had regard to the materiality of transactions and their susceptibility to potential misrecording or misrepresentation in the year-end Statement of Accounts / Annual Return. Our programme of cover is designed to afford appropriate assurance that the Council has appropriate and robust financial systems in place that operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own controls and the national statutory regulatory framework.

The programme is also designed to facilitate our completion of the 'Annual Internal Audit Report' as part of the Council's Annual Governance and Accountability Return process, which requires independent assurance over the sixteen internal control objectives recorded therein.

We have followed up the recommendations made in our 2024-25 reports noting that the Clerk & RFO and Members have noted these in their deliberations. We report that, on the basis of the work undertaken to date, the Council continues to operate adequate and effective internal controls in all areas examined. Resultantly, we made three recommendations for improvement during the Interim Review and one best practice recommendation during the year-end audit. These are recorded in the main body of the report and the appended Action Plan.

We would like to take this opportunity to commend the Clerk & RFO on the continued improvements that have been made to the Council's Governance and operational administration during the 2025-26 financial year.

We ask that members consider the content of this report and acknowledge that the report has been formally reviewed and adopted by Council.

This report has been prepared for the sole use of Fernhurst 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 content or conclusions.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers to date. The Council currently operates three accounts with the National Westminster Bank: a current, reserve and second reserve (with notice) account. To meet this objective, we have: -

- Agreed the opening trial balance detail in the Alpha software for 2025-26 with that in the closing trial balance for 2024-25 and the Statement of Accounts;
- Ensured that the ledger remains in balance at the 31st of March 2026;
- Ensured that an appropriate cost centre and accounting structure remains in place;
- Checked and agreed transactions (both receipts and payments) in the Council's combined bank account cashbooks to the relevant bank statements for the months of April, June, September and December 2025 and March 2026;
- Checked detail on the bank reconciliations of the 30th of April, 30th of June, 30th of September and 31st of December 2025, and the 31st of March 2026;
- Noted that there were no out-of-date cheques recorded on the cashbook; and,
- Checked and verified the Trial Balance and Balance Sheet as at the 31st of March 2026.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of Corporate Governance

Our objective is to ensure that the Council has a robust series of corporate governance documentation in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that, as far as we are able to ascertain, no actions of a potentially unlawful nature have been or are being considered for implementation. We have: -

- Noted that the Council received an Unqualified External Audit report for the 2024-25 financial year;
- Noted that the Council correctly published the Notice of the Exercise of Public Rights for the 2024-25 financial year. The announcement was made on the 23rd of June 2025, the period for the Exercise of Public Rights being from Tuesday the 24th of June 2025 to Monday the 4th of August 2025 inclusive. A period of exactly 30 days including the first 10 working days in July;
- Concluded the Review of Minutes for the Council and its Committees, excluding Planning, for the 2025-26 financial year noting that the Minutes are of a generally high quality, and are published, along with the corresponding Agenda on the council's official website. We have noted the statutory power under which the Council Awarded Grant aid has been recorded from January 2026 onwards, and that there was a minor error in Minute referencing during the November Minutes of the Full council which we have commented on below;

- Noted that the Council's Standing Orders were revised and readopted, using the NALC model document, at the 17th of September 2025 meeting of the Parish Council under Minute Reference 133(e);
- Noted that the Council's Financial Regulations were last revised and readopted, using the NALC model document, at the 17th of September 2025 meeting of the Parish Council under Minute reference 133(e);
- Noted that the Council is not eligible to adopt the General Power of Competence due to having an insufficient number of elected councillors;
- Noted that the Council maintains a well-developed portfolio of policy documents, which are published on the Policies section of the Council's official website;
- Noted that the Council adopted a Statement of Internal Controls which was adopted at Full Council during the 19th of February 2025 meeting;
- Noted that the Council's official Website is published on a secure JSEC compliant server under the domain name: https://fernhurst-pc.gov.uk;
- Noted that the Council official website is fully functional, easy to use and upon which is published almost all the information required to comply with the Transparency Code, although the Council is not required to do so;
- Noted that the Council's official Website is WCAG 2.2 Compliant with the Accessibilities Act (tested using both Lighthouse and Axe compliance tools);
- Noted that the Council is registered with the Information Commissioner's Office as a Data Controller with the most recent renewal date being the 16th of February 2026;
- Noted that the Council has a published Freedom of Information Policy and Publication Scheme on its official website. We are informed by the Clerk & RFO that the Council received a single Freedom of Information request during the 2025-26 financial year which was responded to within 24 hours;
- Noted that the Council has a published Privacy and data processing notice published on its official website;
- Noted that the Council has not undertaken a data impact assessment during the 2025-26 financial year;
- Noted that Council Members have been issued with 'name@fernhurst-pc.gov.uk' email addresses exclusively for Council business use;
- Noted the Clerk & RFO's advice that the Council Adopted a Combined Privacy Statement and Data Protection policy during the November meeting of the Parish Council under Minute reference 175-25;
- Noted that the Council has not provided IT / GDPR training for its staff and Members during the 2025-26 financial year; and
- Noted that the Council utilises Cobian II backup II gravity which provides near-real time backup to the Cloud and that regular Rialtas Alpha backups are taken and stored in the Cloud. The Council's Laptop is taken off site when not in use.

Conclusion & recommendations

YEAR END

R4 *Councils are now required to comply with the new 'Assertion 10' which is audited in the new AGAR. The Council is well placed in this regard, and has met the criteria for a positive assertion recorded against this area of Internal Control, however, it is considered best practice to:*

a) Draft and Adopt a Social Media and Electronic Communications policy.
c) Provide Annual GDPR / Data protection training to staff and Members.
d) Conduct an Annual Data Impact Assessment.
e) Adopt the ICO's latest model Publication Scheme for Public Authorities: Publication schemes: a guide | ICO

INTERIM

Recommendations concerning the Council's Minutes:

R1 *The Council is not currently eligible to Adopt the General Power of Competence, as we recommended in our prior year report, it is an absolute requirement to record the Statutory Power under which it has made all Awards of Donations and Grant Aid but has failed to do so. Henceforth, the Clerk & RFO must ensure that the Statutory Power is recorded for each Award of Grant Aid and Donation made by the Council, remembering that Local Government Act 1972 s.137 is the Power of last resort and may only be used where the Council has the lawful Power to act and no other Statutory Power exists.* ***IMPLEMENTED.***

R2 *There is a Minute referencing error in the Full Council Minutes of the 19th of November 2025 where the Minute referencing had reached Minute number 173 with the next recorded Minute 'slipping back' to Minute reference 153. This error should be corrected by Resolution of the Full Council.* ***CORRECTED.***

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 appropriate documentation, either in the form of 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 expense codes have been applied to invoices when processed; and,
- VAT has been appropriately identified and coded to the control account for periodic recovery.

We have noted that the Council has Resolved to change its accounts reporting from an Income & Expenditure to a Receipts & Payments basis with effect from the 1st of April 2026.

We have checked and verified all transactions recorded in the Council's Rialtas Cashbooks: Cashbook 2, 3 and 4, for the months of April, June, September and December 2025 and March 2026 with no matters arising.

Additionally, we have checked and verified a sample of payments for the financial year to the 31st of March 2026, ensuring that these had been correctly entered onto the Rialtas cashbook, VAT correctly recorded, and payment had been made within an appropriate period.

The payment sample for the 2025-26 financial year was conducted on the basis of every non-pay related payment in excess £750.00 and every 20th payment irrespective of value. A total of 36 payments were examined totalling £40,014.66 and representing approximately 63% of all non-pay related payments.

Finally, in this area of our review we have noted that the Council continues to submit manual s.126 VAT recovery claims:

- The VAT reclaim for the 2024-25 financial year, in the amount of £11,369.74, was received to bank on the 31st of July 2025;
- The VAT reclaim for the period of the 01st of April 2025 to the 31st of January 2026, in the amount of £5,743.41, was received to bank on the 19th of February 2026; and,
- The VAT reclaim for the period of the 01st of February to the 31st of March 2026, is I the amount of £2,409.31.

We have reviewed the VAT control account to the 31st of March 2026, to confirm the accuracy of the VAT submissions during th3 2025-26 financial year with no matters arising.

Conclusions

There are no matters arising in this area of review, during the final-update audit, warranting formal comment or recommendation.

Review of 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 identified in order to minimise the opportunity for their coming to fruition.

We note that the Council last undertook a detailed Review of its Risk Assessments during the 2025-26 Financial Year. The Council's Risk Registers were revised and readopted during the 18th of March 2026 meeting of the Full Council under Minute reference FC/051/26.

The Council's insurance schedule for the 2025-26 financial year, Policy Number LCO01394 has been examined, with cover provided by the Clear Councils Scheme, underwritten by Ecclesiastical:

The policy runs from the 2nd of July 2025 to the 9th of June 2026. We note that Employers' and Products & Public Liability are both in place at £10 million, Officials Indemnity at £500,000, Libel & Slander at £250,000, Legal Expenses at £250,000, and Fidelity Guarantee cover at £150,000. The policy provides no Hirers Insurance cover. This level of cover is considered appropriate for the Council's present needs, however we draw the Clerk & RFO and Members' attention to the 'Statement of Facts' and ask that this is reviewed annually and kept in mind at all times to ensure the validity of the Insurance Policy.

Finally, in this area of our review we note that the Council's single playground continues to be inspected by the Parish Ranger, or the Clerk in his absence. Both have received informal inspection training.

The Parish Ranger is now responsible for conducting playground inspections on a weekly basis and submits inspection reports to the Clerk & RFO for their retention. The Annual Independent Playground Inspection was conducted during the 2025-26 financial year by the Play Safety Co Ltd. The report was received and noted at the 16th of July 2025 Parish Council meeting under Minute reference FC/109-25.

We note from the Council's Minutes, that Health & Safety issues concerning the Councils playground are given appropriate consideration at each meeting of the Property Highways & Environment Committee, with remedial actions agreed under formal resolution.

Conclusion

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of Budgetary Control & Precept Determination

We note that members continue to receive periodic finance reports including bank reconciliations and budgetary analysis.

We noted that a detailed and robust Budget setting and Precept determination process for the 2026-27 financial year was, once again, undertaken at the Finance Committee.

The Budget and Precept were due to be established during the December meeting of the Parish Council, however, the meeting had to be cancelled due to the illness of the Clerk and several Council Members therefore the Budget and Precept determinations took place during the meeting of the Parish Council on the 26th of January 2026 under Minute reference FC/014/26 of that meeting:

- Members Resolved to establish the 2026-2027 financial year budget in the amount of £119,635 with a precept of £94,250, the deficit being made up from the General Reserve.
- The increase in the annual Precept of £2,750 represents a 3.4% increase per Band D dwelling above the 2025-2026 precept.

We note that, in accordance with our recommendation made in the 2024-25 internal audit reports, the single combined Earmarked reserve was properly viremented into four specific Earmarked reserves.

The year-end outturn has been checked and verified as follows:

Cash at Bank as at the 31st of March 2026	
CB2 NW Deposit Acc	£3,072.98
CB3 NW Current Acc	£1,390.96
CB4 NW 14D Acc	£99,736.15
TOTAL	**£104,200.09**
Plus Debtors	
Debtors	£280.00

VAT control account	£2,409.31
DEBTORS TOTAL	**£2,689.31**
TOTAL	**£106,889.40**
Less creditors	
Creditors	£3,133.82
Accruals	£9,864.27
TOTAL	**£12,988.09**
TOTAL RESERVES	**£93,891.31**
Less Earmarked Reserves	**£52,272.00**
GENERAL RESERVE (GR)	**£41,619.31**
FY25-25 Expenditure	**£115,334.00**
Average monthly spend (AMS)	**£9,611.17**
GENERAL RESERVE (GR)	**£41,619.31**
Divide by AMS result	**4.33**
Level of Retained GR	**4 months approx**

Finally, in this area of our review, we have noted that the residual General Reserve balance of approximately £41,619.31 (*£46,522 prior year*) equates to approximately four months' revenue spending at average prior year levels. This level of retained General Reserve sits comfortably within the current range recommended by the Chartered Institute of Public Financial Accountants (CiPFA) of between three and six months' revenue spending based on the average prior year level.

Conclusions

There are no matters arising in this area of review warranting formal comment or recommendation.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure that all income due to the Council from its various sources is identified and invoiced in a timely manner and effective procedures are in place to pursue of any outstanding monies due to the Council. To meet this objective, we have:

- Noted that the Council's income is made up of the Precept, Interment and related fees, CIL monies, S.106 funding, Interest Received, Occasional Grants and VAT reclaims;
- Noted that in addition to the Precept, the Council received non-precept income for the 2025-26 financial year to the 31st of March 2026 as follows:

1076 Precept	**£91,500.00**
1020 Interment Fees	£ 6,725.00
1021 Memorial Fees	£ 3,665.00
1022 ERoB	£ 4,850.00
1050 Miscellaneous Income	£ 350.00

1090 Interest Received	£ 2,298.36
TOTAL INCOME FY2025-26	**£109,388.36**

- Checked and verified all transactions from cashbook reports for Cashbooks 2, 3 and 4, for the months of April, June, September 2025 and March 2026 to the current and deposit account bank statements; and,
- Reviewed the income records relating to interments and memorials for the financial year to the 31st of March 2026 referring to the current schedule of fees and charges, as published on the Council's official website, Nominal Ledger report and the Council's NatWest current account statement, with no matters arising.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Petty Cash Account

The Council does not operate a petty cash account; any "out-of-pocket" expenses incurred being reimbursed by cheque payments authorised in the same manner as other supplier payments.

Conclusion

There are no matters arising in this area of our review warranting formal comment or recommendation.

Review of Salaries and Wages

In examining the Council's payroll function, we aim to confirm that extant legislation is being appropriately observed as regards adherence to the Employee Rights Act 1998 and the requirements of HM Revenue and Customs (HMRC) legislation as regards the deduction and payment over of income tax and NI contributions. To meet this objective, we have:

- Noted that the Clerk & RFO is employed on the basis of a 23 hour working week at scale point to NJC SCP 34;
- Ensured that the Council has approved staff pay rates for the financial year, where appropriate, and that these have been duly and accurately applied throughout the year;
- Checked the computation of staff member's net pay and salary deductions, noting that the HMRC's free software (PAYE Tools) is utilised "in house" for this purpose;
- Noted that the Clerk & RFO was enrolled in the LGPS with West Sussex Pension Scheme from the 16th of July 2025;
- Noted the Members resolved to make a lump sum payment to the Clerk & RFO's personal pension to cover the outstanding employer contribution covering the period of the 1st of October 2024 to the 15th of July 2025, resolved at the 19th of November 2025 meeting of the Parish Council, under Minute reference 157 (Suspended Standing Orders – Press and Public excluded);

- Checked to ensure that the appropriate tax code and NIC table has been applied with tax and NI deductions / Council contributions calculated correctly and paid over to HMRC in a timely manner;
- Noted that the Clerk & RFO is in receipt of a formal Pay advice slip produced from HMRC PAYE Tools;
- Noted that the new Clerk'/RFO's remuneration has increased in line with the backdated pay award; and,
- Noted the Pensions deductions report for the 2025-26 financial year from the 01st of April 2025 to the 31st of March 2026 with no matters arising; and,
- Noted the HMRC submissions report for the 2025-26 financial year from the 01st of April 2025 to the 31st of March 2026 with no matters arising.

Conclusions

There are no matters arising in this area of review that warrant formal comment or recommendation.

Review of Fixed Asset Registers

The Governance and Accountability Manual (G&AM) requires all councils to develop and maintain a register of their asset stock. The Clerk has provided an electronic copy of the updated asset register which identifies the make-up of the value recorded in the Annual Return for our examination, which we have undertaken subsequent to our visit.

The Clerk maintains a detailed and robust Asset Register, recording assets at a consistent year on year level, as required by the Governance and Accountability Manual.

We have noted that the Clerk & RFO has added photographic Asset Lists covering Bus shelters, Grit Bins and Public Benches to the Council's Official Website.

Noted that the Council's Fixed Asset Register was last reviewed and Approved at the 18th of March 2026 Parish Council meeting under Minute reference FC/50/26.

We have checked and verified the Council's Fixed Asset Register, having agreed the revised value in-line with the in-year acquisitions and disposals applied and the revaluation of the Asset Register after a physical review of the Council's Assets by the new Clerk & RFO and Council Members, in the amount of £139,686, (*£135,146 prior year*).

We confirm that this value has been correctly recorded in the 2025-26 AGAR Section 2 – Accounting statements at Box 9: Total fixed assets plus long term investments and assets.

Conclusion

There are no matters in this area of review warranting formal comment or recommendation.

Review Investments and Loans

Our aim in this area of review is to ensure that the Council has appropriate investment and borrowing strategies in place and that the most advantageous interest rates are being obtained.

We note that Members Resolved to review and adopt the revised Investment Strategy on the 19th of February 2025 with the next date of review scheduled for February 2027.

As at the 31st of March 2026, the Town Council held the public funds under its management as follows:

Account	Cashbook Number	Reconciled Value as at 31.03.26
NatWest Current Account	CB2	£3,072.98
NatWest Deposit Account	CB3	£1,390.96
NatWest Notice Deposit Account	CB4	£99,736.15
Subtotal		**£104,200.09**
Financial Services Compensation Scheme		**-£120,000.00**
Council funds at risk		**£00.00**

The Council now holds its funds in a three National Westminster Bank accounts: a Current, Reserve, and Reserve with Notice Account. We have checked and verified the closing balances against all these accounts as at the 31st of March 2026, against the prime documentation.

The public funds under the Council's management which were not protected by the Government's Financial Services Compensation Scheme (FSCS) had decreased to zero as at the 31st of March 2026 as the FSCS guarantee provides protection, for organisations with a turnover less than €500,000 protects investments in each institution to a maximum of £120,000.00. We advise the Clerk & RFO and members to monitor the level of exposure of the public funds under the Council's management on an ongoing basis.

Finally, in this area of review we note that the Council has no loans owed either by it, or to it.

Conclusion and recommendation (Interim)

Further to our prior year recommendation, we note that the Council's consolidation of all its banking with the National Westminster Bank has increased the risk of loss, of the public funds under its management, as described above. We strongly suggest that the new Clerk & RFO and Members review this situation, whilst reviewing the Council's own Investment Strategy remembering that the Clerk & RFO and members are required to ensure that all reasonable and proportionate steps are taken to protect the public funds under the Council's Management whilst achieving a reasonable rate of return of any investment.

R3. The Clerk & RFO and Members should ensure that all reasonable and proportionate steps are taken to protect the public funds under the Council's management whist achieving a reasonable rate of return on any investment. We recommend that the Council considers availing itself of a CCLA PSDF account: extensively utilised by Councils, irrespective of size, throughout England and in Wales, in order to achieve a better return on investment and to de-risk the council's investment. Please note that the CCLA PSDF account receives dividend payouts based on the principal invested – full details are available on the CCLA's website.

Other investment options are available and independent financial advice should be taken prior to any investment decision being made. ***NOTED.***

Statement of Accounts and Annual Return

The Council's Rialtas Alpha accounting system automatically generates the Management Accounts, Balance Sheet, Trial Balance, Income & Expenditure Accounts and Reserves reports as part of the software's year-end closed down procedure.

We have checked and verified these reports, against prime documentation, and consider that the Council's Accounting reports accurately record the 2025-26 financial year's transactions. The software also generates the detail for inclusion in the year's Annual Return, which we have also verified as being consistent with the accounting and other relevant supporting records.

We have also reviewed the procedures in place for identifying year-end debtors, creditors and accruals and agreed the detailed values recorded in the year-end Balance Sheet to the underlying records with no long-standing unpaid accounts or other issues arising.

Conclusion

We are pleased to record that there are no matters arising in this area of our review warranting formal comment or recommendation and, on the basis of the work undertaken during the course of our review for the year, we have "signed off" the Internal Audit Certificate in the Annual Return assigning positive assurances in all areas.

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NOTE TO REPORT

We confirm that all confidential & sensitive information, supplied for the purposes of this audit including, Personnel Minutes, Payroll and Employment data have been permanently deleted from Auditing Solutions Ltd.'s servers and any printouts made for the purposes of this audit have been destroyed in accordance with the Company's data and document retention policies and with the prevailing General Data Protection Legislation.

ACTION PLAN 2025-26		
Rec. No.	**Recommendations**	**Response**
Review of Corporate Governance		
R1	The Council is not currently eligible to Adopt the General Power of Competence, as we recommended in our prior year report, it is an absolute requirement to record the Statutory Power under which it has made all Awards of Donations and Grant Aid but has failed to do so. Henceforth, the Clerk & RFO must ensure that the Statutory Power is recorded for each Award of Grant Aid and Donation made by the Council, remembering that Local Government Act 1972 s.137 is the Power of last resort and may only be used where the Council has the lawful Power to act and no other Statutory Power exists.	***IMPLEMENTED***
R2	There is a Minute referencing error in the Full Council Minutes of the 19th of November 2025 where the Minute referencing had reached Minute number 173 with the next recorded Minute 'slipping back' to Minute reference 153. This error should be corrected by Resolution of the Full Council.	***CORRECTED***
R4	Councils are now required to comply with the new 'Assertion 10' which is audited in the new AGAR. The Council is well placed in this regard, and has met the criteria for a positive assertion recorded against this area of Internal Control, however, it is considered best practice to: a) Draft and Adopt a Social Media and Electronic Communications policy. b) Provide Annual GDPR / Data protection training to staff and Members. c) Conduct an Annual Data Impact Assessment. d) Adopt the latest ICO's model Publication Scheme for Public Authorities: Publication schemes: a guide | ICO	***YEAR-END BEST PRACTICE RECOMMENDATION***
Review of Investments and loans		
R3	The Clerk & RFO and Members should ensure that all reasonable and proportionate steps are taken to protect the public funds under the Council's management whist achieving a reasonable rate of return on any investment. We recommend that the Council considers availing itself of a CCLA PSDF account: extensively utilised by Councils, irrespective of size, throughout England and in Wales, in order to achieve a better return on investment and to de-risk the council's investment. Please note that the CCLA PSDF account receives dividend payouts based on the principal invested – full details are available on the CCLA's website. Other investment options are available and independent financial advice should be taken prior to any investment decision being made.	***NOTED***