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 was undertaken remotely, as agreed with the Clerk, Lisa Peters, and the Finance Officer, Michele Gilbert.

The Council's website was used to review relevant documentation, and a list of questions was issued via email in advance of the audit meeting. A Microsoft Teams meeting was held on 29 May 2026, following which further supporting documents were requested to complete the internal audit.

Unfortunately, the Clerk was not available due to unforeseen circumstances. However, the audit was carried out based on the information provided prior to and during the discussions at the audit meeting, which was held with the Finance Officer, Michele Gilbert. I would like to thank the Finance Officer for her assistance during the audit process.

General

During the course of the audit, I examined the Council's arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the proper practices as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures . I also sought evidence that the previous year's reports from Internal and External Auditors had been properly reported to the Council.

Name of council:	**Colney Heath Parish Council**		
Name of Internal Auditor:	Monika Duong	Date of report:	31 May 2026
Year ending:	31 March 2026	Internal Audit meeting	16/04/26

A. Appropriate accounting records have been properly kept throughout the Year.	**YES**

Accounting records have been maintained throughout the period of review, with cashbook entries appropriately recorded on RBS (Rialtas Business Solutions) Omega accounting software.

B. The authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.	**YES**

A sample of invoices was reviewed to ensure expenditure and VAT had been correctly accounted for, and that payments had been properly authorised and approved.

However, during the internal audit review, the following observations were made:

- During the review of the Financial Regulations and Standing Orders, it was noted that there is an inconsistency between the two documents regarding tendering thresholds. Section 5.6 of the Financial Regulations states that, for contracts estimated to exceed £60,000 (including VAT), the Clerk shall seek formal tenders from at least three suppliers, as agreed by the Council. However, Standing Order 18(a)(v) refers to contracts with an estimated value below £30,000 being exempt from a tendering process or procurement exercise due to special circumstances. These differing thresholds create uncertainty and appear to be contradictory.

Recommendation to the Council;

The Council should:

- The Council should review and amend the relevant provisions to ensure consistency between the Financial Regulations and Standing Orders and to clearly define the applicable tendering thresholds.

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

The last risk assessment was carried out and approved by the Council on 20 March 2025 (Min Ref 24/111 a). This means that it was not reviewed or updated during the 2025/26 financial year. In addition, a formal review of the Council's system of internal control was not undertaken during the 2025/26 financial year.

Recommendations to the Council:

- The Council should ensure that a risk assessment is undertaken at least annually. A comprehensive register of identified risks, including both routine and ad hoc risks, should be prepared and formally reviewed and approved by the Council at least once in each financial year.
- The Council should also ensure that its system of internal control is reviewed and documented annually.

D. The Precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored; and reserves were appropriate.	**YES**

The Council is compliant in most significant respects in this area.

The Council considered and approved the annual budget for 2026/27 at its meeting on 22 January 2026; however, the approved budget figure was not clearly recorded in the minutes. The 2026/27 precept of £189,303.54 was approved at the same meeting.

It was also noted that the level of general reserves at 31 March 2026 stood at £33,153, which is below the recommended guidance set out in the Practitioners' Guide. However, the Council also holds earmarked reserves totalling £200,882 for various projects.

The Practitioners' Guide states that the general reserve of an authority comprises its cash flow and contingency funds to cover unexpected inflation, unforeseen events and unusual circumstances. The generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure. The reason for the wide range is to cater for the large variation in activity levels between individual authorities. The smaller the authority, the closer the figure may be to twelve months' expenditure; the larger the authority, the nearer to three months' expenditure. In practice, any authority with income and expenditure in excess of £200,000 should plan towards a three-month equivalent general reserve.

The Practitioners' Guide further states that it is important that each authority adopts, as a general reserve policy, the level appropriate to its size, situation and risks, and plans its budget so as to ensure that the adopted level is maintained. Consideration of the minimum level of reserves requires not only consideration of the level of income and expenditure, but also the risks to that income.

Budget monitoring during the financial year is undertaken regularly.

Recommendations to the Council:

- The Council should ensure that the approved budget amount is clearly recorded in the minutes prior to precept approval.
- The Council should also review the level of general reserves and ensure that its reserves policy clearly documents and supports the rationale for the level maintained.

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**

A sample of payroll reports was selected, tested, and reviewed, and no exceptions were identified. A minor variance was noted in the salary journal, which appears to relate to rounding differences.

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

The Asset Register was obtained and reviewed.

It was noted during the review of the Council's asset register that a number of land and open space assets (primarily LO-coded items) are recorded at a zero value.

Although this has not been raised as a formal audit recommendation, the current treatment is noted for completeness. Where such assets are included within the fixed asset register and are under the Council's control, it would generally be expected that they are held at a nominal value (typically £1) in the absence of historic cost or formal valuation information, rather than £0.

Recommendations to the Council:

- The Council should review its approach to ensure consistency in asset valuation and reporting within the asset register.

I. Periodic bank reconciliations were properly carried out throughout the year.	**YES**

There was evidence of regular reconciliation to bank statements, and the year-end bank reconciliation had been completed accurately.

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.	**YES**

The year-end accounts were prepared on an income and expenditure basis and agreed to the cashbook, bank statements, and supporting financial record.

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	**YES**

A significant amount of required information is available on the Council’s website, and therefore compliance in this respect is assessed as 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 Council did not comply with Regulation 15 of the Accounts and Audit Regulations 2015, as it did not make proper provision during the year 2025/26 for the exercise of public rights. The period for the exercise of public rights did not include the first 10 working days of July.

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

The Council did not approve the AGAR in time for publication before 1 July 2025, as required by the Accounts and Audit Regulations 2015. As a result, the publication requirements were not met. The AGAR was approved by the Council at its meeting on 24 July 2025.

O. The authority has complied with laws, regulations and proper practices resulting to digital and data compliance.	**YES**

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 I have assessed your council on the basic requirements working with appropriate proportionality to determine compliance.

Council must ensure that full reference is made to all sections of the Practitioners' Guide for 2026/27 to ensure compliance to the enhancements for 2026/27.

Recommendation to the Council;

The Council must ensure that full reference is made to all 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 that 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 , I have signed off the AGAR as required.

Yours sincerely,

Monika Duong
Internal Auditor to the Council
monikaduong0@gmail.com

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.