

Shaugh Prior Parish Council

Internal Audit Report 2025-26

Stuart Pollard

*Director
Auditing Solutions Ltd*

Background

The Accounts and Audit Regulations introduced from 1st April 2001, as amended periodically, require all Town and Parish Councils to implement 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 which has, of necessity this year, been undertaken remotely during the early days of May 2026 following closure of the year's accounts by the Locum Clerk who we thank for assisting the process, providing documentation in electronic format for our remote year-end review.

Internal Audit Approach

In undertaking our review for the year, we have had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts / AGAR. Our programme of cover is designed to afford appropriate assurance that the Council's financial systems are robust and 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 and the national statutory regulatory framework. The programme is also designed to facilitate our completion of the 'IA Certificate' as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

We have examined the Council's progress in ensuring the implementation of appropriate protocols and procedures to facilitate the assignment of a positive entry in relation to the new, for 2025-26, Assertion 10 in the year's AGAR and are pleased to acknowledge the actions taken which will allow a positive response: we shall, similarly assign a positive response in the IA Certificate at Box "O".

Overall Conclusion

We have concluded that, based on the programme of work undertaken during this year's audit review, the Locum Clerk and Council have again maintained generally appropriate and effective internal control arrangements.

Due to the year's payments exceeding £25,000, the Council will need to submit a Part 3 AGAR to the external auditors. We have, consequently, completed and signed the Part 3 AGAR 'IA Certificate' assigning positive responses I each relevant area.

We take this opportunity to remind the Locum Clerk of the requirements of the guidance notes in the preface to the year's AGAR and the requirements of the Transparency Code for Smaller Authorities in relation to the documentation that should be displayed on the Council's website and the timing requirements for publication of the Notice of Public Rights to examine the Council's documentation for the financial year.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Council's 2025-26 accounting records have again been maintained in spreadsheet format with a single bank account in operation with the TSB. Our objectives in this area are to ensure that the accounting records are maintained accurately and in a timely manner with detail reconciled routinely to the bank accounts in use. Consequently, we have: -

- Ensured that the closing balance reported in the 2024-25 accounts and AGAR has been "rolled over" correctly as the opening balance for 2025-26;
- Verified transactions recorded in the spreadsheet cashbook to the supporting bank statements for the full financial year (due to their low volume);
- Ensured that the appropriate analysis of receipts and payments throughout the year is recorded in the cashbook;
- Checked the content of the 30th September 2025 and year-end bank / cashbook reconciliations as prepared by the Clerk; and
- Ensured that the year-end account balance is accurately recorded in the year's AGAR at Section 2, Box 8.

Whilst no significant concerns have arisen in this area this year, we have noted a few anomalies in the spreadsheet cashbook, which we have referred to the Clerk for correction, which has been duly actioned, although the final year-end cashbook provided for our examination did not provide analysis of the final 3 payment transactions, one of which related to the locum clerk's March 2026 payment: as a locum, this payment should not be regarded as a staff cost for inclusion in the AGAR at Section 2. Box 4.

We note that in accordance with the adopted Financial Regulations (FRs) formal bank reconciliations are prepared and are subjected to independent member scrutiny and sign-off during the year.

Conclusions

We are pleased to record that appropriate accounting records have generally been maintained throughout the financial year with no significant issues arising warranting formal comment or recommendation. However, when completing the year's AGAR Section 2, the locum Clerk will need to ensure that her remuneration is not regarded as a salary payment.

Review of Corporate Governance

Our objective in this area is to ensure that the Council has robust corporate governance documentation and procedures in place; that Council meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we may be reasonably expected to ascertain as we do not attend meetings, no actions of a potentially unlawful nature have been or are being considered for implementation.

We are again pleased to note that the Council has formal SOs and FRs in place, with the former re-adopted in March 2026. The FRs were adopted in February 2025 based on the most recent NALC model document. We have reviewed the resultant documents and, whilst we have no significant concerns, we have noted that the adopted FRs refer to a limit of £10,000 for formal tender action

(Para 5.6 refers), whilst the recently adopted SOs refer to a limit of £60,000 (Para 18.a.v refers). We consider that, for a Council the size of Shaugh Prior, the lower limit of £10,000 is more appropriate and urge that the SOs are brought into line with the adopted FRs.

We have examined the Council's minutes for the financial year to determine whether any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability and are pleased to record that no such concerns have been identified.

In considering the Council's approach to GDPR and website security issues together with the requirements of the new, for 2025-26, Assertion 10 in the AGAR Governance Statement, we have reviewed the Council's present standing with the Locum Clerk noting that an appropriate IT Policy has been adopted. Further policies relating to accessibility raft of documents are in evidence on the website and, consequently the Council will be giving a positive assurance in the 2025-26 AGAR.

The Council's annual turnover in 2025-26 again exceeds the £25,000 threshold and the Council will, consequently, be subjected to an external audit for the year needing to complete and submit a Part 3 AGAR in accordance with the requirements of the Accounts and Audit Regulations 2015.

We are pleased to note that the external auditors signed off the 2024-25 AGAR with no adverse comments, Also noting that the Notice of Public Rights to examine the Council's 2024-25 accounting records was posted on the website for the requisite 30 working days.

Conclusions and recommendation

R1. The Council should ensure that the value at which formal tender action is required is recorded consistently in the adopted Standing Orders and Financial Regulations, ideally setting it at the value currently recorded in the former document.

Review of Payments and VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- All payments are subject to appropriate approval in accordance with the Council's approved procedures;
- 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; and
- VAT has been appropriately identified for periodic recovery.

We have again reviewed the Council's control procedures in relation to the scrutiny and approval of traders' and other invoices for payment and consider them effective with members examining and signing-off invoices as and when they sign cheques.

We have examined a sample of payments processed in the year including the salaries paid to the two formerly employed clerks and are pleased to confirm compliance with the above criteria. We have

again noted the absence of appropriate supporting documentation relating to the monthly EDF energy supply direct debit payments.

We note that the VAT incurred in 2024-25 has been reclaimed and repaid by HMRC in May 2025, although, as reported previously, no VAT has been identified in the cashbook on the EDF payments.

Conclusions and recommendation

We are pleased to record that no significant concerns arise from our work in this area. However, as highlighted previously, VAT incurred on the EDF monthly payments is recoverable and should be identified in the cashbook for recovery with appropriate supporting documentation identifying the supplier's VAT registration number acquired and retained.

R2. The Council should ensure the acquisition of appropriate documentation from EDF supporting the monthly direct debit payments and affording detail of the VAT incurred on each monthly payment, so that it may be reclaimed accordingly from HMRC.

Assessment and Management of Risk

Local councils are required to put in place appropriate arrangements to assess and manage all potential risks, financial and other, to which they may be exposed, also ensuring that appropriate insurance cover is in place, with a detailed risk register(s) subjected to at least once annual review and formal re-adoption (The Practitioner's Guide refers).

We noted in last year's report that an appropriate Risk Register was in place having again been subject to review and re-adoption by the Council in March 2025: contrary to the requirements of the Practitioner's Guide, which require risk registers to be reviewed and re-adopted at least once annually, we have seen no evidence of any subsequent review and re-adoption of the document during the 2025-26 financial year and will, consequently, have to give a negative response to this facet of the year's IA Certificate in the AGAR, as will the Council in the relevant assertion in the Governance Statement.

We have examined the current year's insurance schedule with Zurich and consider that cover is appropriate for the Council's present needs with Employer's and Public Liability cover in place at £10 million and £12 million respectively, together with Fidelity Guarantee cover at £500,000.

Conclusions and recommendation

We are pleased to record that, other than the absence of any formal review and re-adoption of the Council's risk register during the year, no other issues arise in this area.

R3. Due to the failure to review and re-adopt the risk register during the financial year, the Council will need to give a negative response to Assertion 5 in the year's Governance Statement, as will we a Box C of the year's IA Certificate.

Review of Budgetary Control and 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 sufficient funds in general and earmarked reserves to finance its ongoing spending plans, whilst retaining appropriate sums to cover any unplanned expenditure that might arise.

We note that, following due deliberation, the Council finalised its budget and precept deliberations for 2026-27 formally adopting the latter at the December 2025 meeting at a minuted value of £17,188.90.

We again note that the Clerk provides members with accounting detail at each full Council meeting generally including detail of bank balances, payments due for release and receipts, which, given the relatively low volume and value of transactions, we consider appropriate.

The Council's reserves at the financial year-end have decreased to £9,436 (£25,938 as of 31st March 2025): the balance equates to approximately 5 months' spending at the 2025-26 level and still sits comfortably within the generally recognised guideline of between 3 and 12 months' revenue spending.

Conclusions

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

Review of Income

The Council receives only limited income annually by way of the annual precept, occasional grants, donations and recoverable VAT. We have agreed detail of income received to bank statements and, where available, other supporting documentation.

Conclusions

We are pleased to record that no issues arise in this review area.

Petty Cash Account and Cash Payments

The Council does not operate a petty cash account, nor make any cash payments: any out-of-pocket expenses incurred by the Clerk or Councillors being reclaimed through the normal payment process.

Review of Staff Salaries

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 HMRC legislation as regards the deduction and payment over of income tax and NI deductions and employer contributions.

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

- Checked the gross salary paid to the Clerk at the start of the year and his successor for the short time of his employment for consistency with their employment contracts, also noting appropriate payment of the 2025-26 national pay award to the former with arrears due from 1st April 2025 also paid accordingly;

- Verified the resultant net payments made to the Clerks during the year by reference to the underlying payslips and tax code detail as recorded thereon;
- Noted that no National Insurance employee deductions or Council contributions were applicable, other than with the arrears payment made to the former Clerk in December 2025; and
- Ensured the appropriate and periodic payment of tax deducted to HMRC during the year.

Conclusions

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

Fixed Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We are pleased to note that a formal register remains in existence and have duly agreed the register's value for inclusion in the year's AGAR at Section 2, Box 9.

Several of our clients have also developed photographic records of assets such as street furniture, etc, which they have found to be of assistance in progressing insurance claims in the event of any accidental or malicious damage occurring.

Conclusions and recommendation

R4. Consideration should be given to the development of a photographic register of the Council's assets, particularly in relation to street furniture and other "outside" equipment.

Investments and Loans

The Council has no long-term investments, nor does it have any loans in place repayable either by or to it.

Statement of Accounts and AGAR

Section 2 of the AGAR now forms the Council's formal Statement of Accounts: as indicated previously in this report, due to the year's payments exceeding the £25,000 threshold, the Council will need to complete and submit a Form 3 AGAR to the external auditors for 2025-26.

Conclusions

We are pleased to record no issues arise in this area this year warranting formal comment or recommendation and we have duly signed off the IA Certificate in the AGAR assigning positive assurances in each relevant area, excepting in relation to the new Assertion 10 and non-review and re-adoption of the Risk register during the year.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The Council should ensure that the value at which formal tender action is required is recorded consistently in the adopted Standing Orders and Financial Regulations, ideally setting it at the value currently recorded in the former document.	
Review of Payments and VAT		
R2	The Council should ensure the acquisition of appropriate documentation from EDF supporting the monthly direct debit payments and affording detail of the VAT incurred on each monthly payment, so that it may be reclaimed accordingly from HMRC.	
Assessment and Management of Risk		
R3	Due to the failure to review and re-adopt the risk register during the financial year, the Council will need to give a negative response to Assertion 5 in the year's Governance Statement, as will we a Box C of the year's IA Certificate.	
Fixed Asset Register		
R4	Consideration should be given to the development of a photographic register of the Council's assets, particularly in relation to street furniture and other "outside" equipment.	