

Newbottle Parish Council

Internal Audit Report (Interim) 2025-26

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Background and Scope

Statute requires all town and parish councils to arrange for 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, during our first review of the Council's records, which has been undertaken remotely during December 2025 following agreement of that approach with the Clerk. We again thank her for assisting the process, providing the requested documentation in electronic format to facilitate commencement of our review for the year.

Internal Audit Approach

In undertaking our review, we have again 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 assurance that the Council's financial systems remain 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' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

This report will be updated following completion of our final review for the year the date of which has yet to be agreed but will be timed to follow closure of the year's Accounts in the Scribe software, hopefully in early April 2026.

Overall Conclusions

We are pleased to record that, based on the work undertaken to date, the Clerk continues to maintain adequate and effective controls over the Council's finances. We acknowledge the actions taken to address issues raised in last year's reports and, where appropriate action remains to be taken, have restated the recommendations in the following detailed report and appended Action Plan.

We take this opportunity to draw the Clerk and Council's attention to the additional item included in the 2025-26 AGAR Governance Statement relating to issues surrounding IT matters and compliance with the requirements of GDPR, etc legislation and will review the Council's status as regards that assertion at our final review.

This report should be presented to members in accordance with the statutory requirement and we ask that a formal response to the recommendations, as summarised in the appended Action Plan, be provided in advance of our final review setting out the actions taken or pending to address the matters identified.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has continued to use the Scribe software to maintain the accounting records during 2025-26 with two accounts in operation with the Unity Bank (Current and Playing Field).

Our objective in this review area is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers. We have accordingly: -

- Ensured the accurate roll forward of the combined closing balances for 2024-25 into the 2025-26 Scribe accounts;
- Ensured that an appropriate coding structure remains in place to facilitate effective budget monitoring / performance management;
- Checked detail in the receipts and payments “cashbooks” generated by Scribe, examining all transactions recorded for the financial year to 30th November 2025 agreeing detail to the relevant supporting bank statements; and
- Checked and agreed detail on the Scribe generated bank reconciliation prepared on 30th November 2025.

Conclusions

We are again pleased to note that reconciliations are routinely presented to the Council and adopted, also being signed off by the Clerk and a nominated councillor. Copies of signed bank statements and reconciliations are duly uploaded to the Scribe accounts software.

We will extend our review of bank account / Scribe “cashbook” transactions for the remainder of the year at our final review, also ensuring the accurate disclosure of the combined account balances in the AGAR at Section 2 Box 8.

Review of Corporate Governance

Our objective here is to ensure that the Council has a robust regulatory framework in place; that Council and Committee meetings are conducted in accordance with the adopted Standing Orders (SOs) and that, as far as we are reasonably able 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 pleased to note that the Council re-adopted both its extant SOs and Financial Regulations (FRs) at the May 2025 Council meeting. We have made previous reference to the level at which formal tender action is required suggesting that a more appropriate level for a Council the size of Newbottle would be set at around £10,000 and note that the recently adopted FRs refer to that value for formal tender action (Para 5.6 refers): however, the SOs refer to a limit of £60,000 (Para 18.a.v refers). Both documents should record a consistent value, with that recorded in the FRs considered appropriate.

We have reviewed the Council minutes examining those for the financial year to date 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 matters have been identified.

We note that the external auditors have signed off the 2024-25 AGAR with no issues raised. We are also pleased to note that the Notice of Public Rights for 2024-25 was posted on the Council's website for the requisite 30 working days.

Conclusions and recommendation

We are pleased to report that no serious issues or concerns arise in this area currently, although we again urge that the SOs and FRs are amended to record a consistent value for formal tender action. We will continue to review minutes and the Council's approach to governance issues at future reviews.

R1. The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally set at the level recorded in the adopted Financial Regulations.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and budgets;
- Appropriate documentation supports payments, 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.

To ensure compliance with the above criteria, we have selected a sample of 15 individual payments in the year to 30th November 2025 totalling £7,960 equating to 87% by value of non-pay related payments processed to that date.

We have previously discussed with the Clerk the Council's control procedures in relation to the scrutiny and approval of traders' and other invoices for payment and considered them generally effective. We understand that members are being provided with electronic copies of all invoices reviewing them accordingly against the Scribe generated monthly schedules of payments for release with 2 members duly signing off an appropriately worded certificate on those monthly schedules and also physically releasing the payments.

In checking the Scribe accounting records as part of our examination of the above test sample of payments processed in the year to date, two had not been posted on the relevant Scribe report. We discussed this with the Clerk who kindly uploaded the missing documents. We also drew attention to the fact that the nPower invoice for streetlighting electricity paid on 10th December 2025 included VAT charged at 20%, whereas VAT charged on all previous supply invoices for the year was charged at 5%. We have drawn this to the Clerk's attention, and she has agreed to raise the matter with nPower. We ask that we be kept informed of the outcome of that discussion and will also check the position at our final review on future nPower invoices.

We note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2024-25 repaid in April 2025: we shall examine the 2025-26 reclaim at our final review agreeing detail to the year's Scribe accounts.

Conclusions

We are pleased to record that no issues arise in this area currently warranting formal comment or recommendation, although we ask that the Clerk ensures that all scanned invoices are uploaded to the relevant Scribe report detail in a timely manner going forward. As indicated above, we ask that we be kept advised of the outcome of the Clerk's discussions with nPower and will check the position on their future invoices at our final review. We shall also, as implied above, extend our work in this area at our final review examining a similar sample of payments processed during the remainder of the year, also examining the year's VAT reclaim.

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 to minimise the opportunity for their coming to fruition.

We have examined the Council's insurance policy with Hiscox noting that cover is in place with both Employer's and Public Liability cover standing at £10 million, together with Fidelity Guarantee cover at £0.5 million, all of which we consider appropriate for the Council's present needs. We also note that "Business Interruption – Loss of Revenue" cover is in place at £10,000.

We are pleased to record that the Council has reviewed and re-adopted its comprehensive Risk Management document at the May 2025 Council meeting and have reviewed the content and consider that it remains appropriate for the Council's ongoing requirements.

We again note that an external provider undertakes periodic reviews of the Council's play areas reporting their conclusions accordingly with detail presented to the Council for determination of any remedial action considered necessary. This review is supplemented by "in-house" reviews undertaken by members who advise the Clerk of any issues requiring attention.

Conclusions

We are pleased to record that no issues have been identified in this area warranting formal comment or recommendation at this stage of our review. We shall continue to monitor the Council's approach to risk management at future visits.

Budgetary Control & 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 level of precept to be drawn down from the District Council: also, that an effective reporting and monitoring process is in place. We also aim to ensure that the Council retains appropriate funds in general and earmarked reserves to finance its ongoing spending plans and cover any unplanned expenditure that might arise.

We note that the Council has completed deliberations on its budgetary and precept requirements for 2026-27, formally approving the precept for the year at £16,800 at the November 2025 meeting.

We again note that the Clerk provides members with detail of the Council's budgetary position during the year and have reviewed the latest Scribe generated budget report with no significant issues

identified: we are pleased to note that, following our previous recommendation, the budgeted value of the year's precept has been recorded in the Scribe accounts. We are, however, disappointed to note that, despite our previous recommendation, the Scribe accounts still provide no information on the status of the Council's General and / or any approved Earmarked Reserves.

Conclusions and recommendations

We are pleased to record that no significant concerns arise in this area, although as suggested previously and above, we urge that consideration be given to the establishment of specific earmarked reserves with detail appropriately recorded in the Scribe accounts. We shall undertake further work at our final review examining the year-end budget outturn, seeking explanations for any significant variances that may have arisen subsequent to this review and considering the ongoing appropriateness of the level of overall reserves to meet the Council's ongoing revenue spending requirements and potential development aspirations.

R2. The Council should consider the establishment of specific earmarked reserves for areas such as election costs, planned development / replacement of existing assets.

Review of Income

The Council receives income by way of the annual precept, monthly sports club ground rent, and occasional playing field hires by other bodies, recoverable VAT and occasional grants and donations. We have, as indicated in the first section of this report, agreed income recorded in the Scribe accounts to the underlying bank statements with no issues arising.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation. We shall examine the detail of any further income arising in the year at our final review, also ensuring the accurate compilation of the year's VAT reclaim to be submitted to HMRC.

Petty Cash Account

The Council does not operate a petty cash account.

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 in respect of the deduction and payment over of income tax and NI contributions.

The Clerk is the only employee of the Council: we have examined the content of her employment contract previously noting that she is paid in accordance with the Council approved point on the nationally agreed NJC salary scale. The Council has outsourced preparation of the monthly payroll with all necessary monthly documentation provided to the Clerk to facilitate payment of her net salary, tax and NI contributions to HMRC.

To meet the above objective, we have: -

- Noted that members approved an increase in the Clerk's salary to spinal point 28 with effect from 1st April 2025;

- Checked and ensured the accuracy of the Clerk's gross salary paid in September and October 2025, with the September salary payment being uplifted to incorporate the 2025-26 national pay award for 2025-26, together with arrears due from 1st April 2025 and subsequent months paid at the new rate;
- Checked and agreed the calculation of relevant tax and / or NI deductions to be applied based on the gross salary paid for both months in accordance with the tax code recorded on the pay slips and appropriate NI Table; and
- Noted that the Clerk has not been enrolled in the LG Pension Scheme.

We have noted, in checking the Scribe "cashbooks" to bank statements that the Clerk's April salary net pay was inadvertently paid twice: this had been noticed with an equivalent amount repaid to the Council's bank account in May 2025. Care will need to be taken when preparing the financial information to be reported in the AGAR at Section 2, Box 4 (Staff costs) to ensure that only 12 months' salary detail is recorded.

Conclusions

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

Investments and Loans

We aim in this area of our review process to ensure that the Council is taking appropriate action to ensure interest earning capabilities are maximised whilst safeguarding the Council's resources. We again note from examination of the Scribe accounts that no bank interest has again been received to date this year. No loans are in existence either payable by or to the Council.

Conclusions

No issues arise in this area warranting formal comment or recommendation currently.

Rec. No	Recommendation	Response
Review of Corporate Governance		
R1	The Standing Orders and Financial Regulations should record a consistent value for formal tender action, ideally set at the level recorded in the adopted Financial Regulations.	
Budgetary Control and Reserves		
R2	The Council should consider the establishment of specific earmarked reserves for areas such as election costs, planned development / replacement of existing assets.	