

Parish Council

Internal Audit Report 2025-26 (Interim Report)

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Background

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, as part of our review for Drayton Parish Council and which was undertaken on 19th November 2025. We wish to thank the Clerk for her help in assisting the process, providing all necessary documentation to facilitate the conduct of our review.

We will update this report following our visit on 14th April 2026.

Internal Audit Approach

In undertaking our review, 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 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' in the Council's AGAR, which requires independent assurance over a series of internal control objectives.

Overall Conclusions

We have concluded that, based on the satisfactory completion of our programme of work for the year to date, the Council has maintained adequate internal control arrangements. There are a few issues arising this year warranting formal comment or recommendation, and which are also included in the accompanying action plan.

We ask that the report be considered by members, as required by the Practitioner's Guide.

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and that no anomalous entries appear in cashbooks or financial ledgers. The Council operates a Current bank account with Unity Bank for its day-to-day transactions, and a project account with Unity Bank. We have: -

- Ensured that an appropriate coding structure is in place in the RBS Rialtas Alpha accounting software;
- Ensured that the closing balances for 2024-25, as reported in the Statement of Accounts and AGAR for that year, have been correctly rolled forward as opening balances for 2025-26 in the Alpha software;
- Checked and verified all transactions in the Current account cashbook to 31st October 2025 by reference to the supporting bank statements;
- Verified transactions on the Unity Bank account for the year to 31st October 2025 by reference to supporting bank statements, etc;
- Noted that payments are made exclusively online or by Standing Order / Direct Debit; and
- Reviewed and agreed detail of the bank reconciliation on the Current Account as at 31st October 2025 to the cashbook and bank statements, noting that they are reported on at each Council Meeting.

Conclusion

We are pleased to record that no issues arise in this area warranting formal comment or recommendation. We will undertake further work in this area at our next visit.

Review of Corporate Governance

Our objective here is to ensure that the Council has robust corporate governance documentation and processes 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, no actions of a potentially unlawful nature have been or are being considered for implementation.

We have undertaken an examination of the minutes of the Full Council meetings and of the Finance Committee meetings that have taken place during the course of the year to date to ensure that no significant issues affecting the Council's financial stability either in the short, medium or long term exist.

The updated NALC Financial Regulations (FRs) were adopted at the council meeting in March 2025, the SOs were re-adopted at the May 2025 Annual Meeting.

We note that the external audit report for 2024-25 has been signed off with the following comments.

“The council left a significant time period between approval of the Annual Governance and Accountability Return and the commencement of the Public Rights Period. The Audit and Accounts Regulations 2015, section 12 (3)(a) and proper practices require that following approval of the Return, the Public Rights Period should commence as soon as it is reasonably practicable when taking into consideration the mandatory inclusion of the first 10 working days of July.”

Conclusions and recommendations

We note that the whilst the dates for the commencement of Public Rights for 2024-25 comply with the requirement for a 30-day period, the council again left a significant time period between approval of the Annual Governance and Accountability Return and the commencement of the Public Rights Period. Council should ensure that the commencement of the Public Rights Period begins as soon as possible after approval of the Annual Governance and Accountability Return.

As part of our review this year we are required to ensure that the Council has complied with all digital and data compliance requirements as set out in the 2025 revised Box 10 of the AGAR Section 1 Governance Statement, detail of which is contained in the Practitioners Guide (JPAG). We have commenced our review of this area and will undertake further work at our next visit, in the meantime we note that some minutes uploaded to the website are word documents, rather than accessible PDF documents.

R1. The council should ensure that the commencement of the Public Rights Period begins as soon as practicable after the approval of the Annual Governance and Accountability Return.

R2. Council should ensure that it complies with the digital and data requirements as detailed in the Practitioners Guide, this includes ensuring that all council produced documentation is accessible in accordance with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

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 controls are in place over the release of funds and that they accord with the adopted FRs;
- 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;
- An official order has been raised for all purchases and service delivery where one would be expected;
- 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 selected a sample of processed invoices for the year to 31st October 2025 including all payments individually in excess of £1,200, together with a more random selection of every 15th cashbook transaction, irrespective of value: our test sample comprises 26 individual non-pay related payments totalling £433,292 and equating to 97% by value of all non-pay related payments to the above date.

We note that two different Councillors are selected each month to log on to authorise payments, and that they sign the payment form at each Parish Council meeting in confirmation.

We note that a VAT return was completed on 31st August 2025, we have checked and verified the VAT return, ensuring agreement with the underlying detail in the Alpha nominal control account.

Conclusions and recommendations

The total value of salaries and on-costs should be amalgamated on the expenditure review sheet, to protect the privacy of individual staff.

We noted that some invoices from August had not been approved by Councillors but understand these will be signed off at the next council meeting.

We are pleased to note that a purchase order system is now in place, noting that purchase orders cannot be raised if there is no budget available. This further strengthens the control of finances

We checked all coding from the selected sample and were pleased to note these had been correctly allocated within the accounts.

We note that the application for a payment card continues to be ongoing.

Whilst the current raft of capital projects undertaken by the council are almost completed, we understand there are potentially further large value projects planned. Consideration should be given to completing more regular VAT returns to ensure that large amounts of VAT due to the council are reclaimed on a more regular basis.

R3. The total value of salaries and on-costs should be amalgamated on the expenditure review sheet, to protect the privacy of individual staff.

R4. VAT should be reclaimed on a more regular basis, during this period of high Capital expenditure.

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 formally adopted the Risk Assessment Policy Document at the Parish Council meeting held in March 2025.

We have examined the year's insurance schedule with Zurich Municipal running, until 31st May 2026, noting that Public & Employer's Liability stand at £10 million respectively, which we consider appropriate for the Council's present requirements. Fidelity Guarantee cover is presently £250,000. The Fidelity Guarantee cover should cover 50% of the precept plus the year-end balance, which at 31st March 2025 is £247,322. Our recommendation from the last two years that if the Council expects to retain balances at this level, then the Fidelity Guarantee should be increased remains.

Conclusions and recommendations

We again note that the Council has not increased the level of Fidelity Guarantee Insurance, and should do so, particularly as all its funds are currently maintained with one banking institution.

R5. The Council should consider increasing the level of Fidelity Guarantee Insurance, this should be set as a minimum at the total bank balance as at year end plus one half of the value of the precept, currently this would be in the region of £312k.

Review of Income

In considering the Council's income streams, we aim to ensure that robust systems are in place to ensure the identification of all income due to the Council from its various sources, to ensure that invoices are prepared and issued in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. We note that, in addition to the Precept, the Council receives income from a variety of sources including, interment and related cemetery management fees, allotment fees, savings account interest, recovered VAT, and S106 monies.

Burials: To date there has been 8 interments this year, we selected a sample of 4 interment as recorded in the official Burial Register examining the underlying undertakers' applications and ensuring that the appropriate fees have been charged and received with all the necessary legally required documentation held for each (i.e., Burial and / or Cremation certificates).

Allotments The Council manages an allotment site comprising 41 individual plots, which are invoiced in January annually. As of 31st March 2025, 10 invoices remained outstanding, which we are pleased to note have now been paid.

Conclusions and recommendations

We note that the Allotment fees were last reviewed in August 2024, but there appears that there has been no review of cemetery fees recorded in the minutes. We would expect fee reviews to take place as part of the annual budgeting exercise and will check if this has taken place at our next visit.

We also note that no deposit is charged for allotments. Whilst there is no legal requirement to do so, many councils are now taking deposits in order to encourage tenants to keep plots worked and clear of weeds, we suggest this is considered by the Council as part of its allotment tenancy agreement.

R6. The council should review its fees annually as part of the budget and precept setting exercise.

R7. The council should consider amending its allotment tenancy agreement to include the charging of a deposit, to be retained and used to clear the plot if the plot is not handed back in good condition.

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 as regards the deduction and payment over of income tax and NI contributions, together with meeting the requirements of the LGPS.

The Council manages production of its monthly payroll in house using HMRC Tools. Consequently, we have examined the October 2025 payslip detail: -

- Ensuring that all staff gross pay for the month has been paid in accordance with the Clerk's record of individual's scale point and basic weekly working hours;
- Ensuring that tax and NI deductions / contributions have been calculated appropriately by reference to the relevant tax and NI tables;
- Ensuring that the correct percentage superannuation deductions have been applied where appropriate;
- Checking to ensure that, where overtime payments have been made, they are supported by appropriately certified time records and been paid at the appropriate enhanced hourly rate; and
- Verifying that the net salary payments for October 2025 have been made to staff appropriately and been recorded accurately in the accounting records.

Conclusions and recommendations

We noted that 3 payments were made to HMRC in April 25, one covering March 25 salary deductions, and 2 for April. We understand that the second payment was in response to a debt collection letter incurred as the Clerk does not have access to the HMRC online account. This situation needs to be resolved as soon as practically possible, so that the Clerk can confirm that the data sent to HMRC reconciles to the councils' records. We understand that the situation has arisen as previous Clerks and/or Locums have not updated the HMRC details.

To prevent this happening again, it may be prudent for the council to have a PO box so that all correspondence is accessible by the council in the event of any change of Clerk, along with a dedicated mobile phone for Council use.

Since our last visit, the Clerk has achieved CILCa and as such is entitled to be moved an additional point up the pay spine, it would appear that her salary has only been uplifted by one point.

We noted that salaries are slightly underpaid due to the method being used to work out monthly payments. We recommend that the salaries are checked for the year to date and amended as soon as practical. The method for working out the monthly salary should be the full annual salary divided by 12 months, divided by 37 hours per week, multiplied by the number of hours worked.

We will complete a further review of this area at our next visit.

R8. *The council should ensure it has access to the HMRC online account, not only is this necessary to ensure it can access its tax and National Insurance data, but also its' VAT returns.*

R9. *To ensure there are no correspondence access issues in the event of any change of Clerk, it would be prudent for the council to consider the use of a PO Box, and a mobile phone to be used for council use only.*

R10. The Clerks salary should be upifted by a further point in recognition of her achievement of CILCa.

R11. The method of working out monthly salaries should be changed to that detailed on the body of this report and salaries for the year to date reviewed and amended where necessary.

Rec. No.	Recommendation	Response
Review of Corporate Governance		
R1	The council should ensure that the commencement of the Public Rights Period begins as soon as practicable after the approval of the Annual Governance and Accountability Return.	
R2	Council should ensure that it complies with the digital and data requirements as detailed in the Practitioners Guide, this includes ensuring that all council produced documentation is accessible in accordance with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.	
Review of Expenditure & VAT		
R3	The total value of salaries and on-costs should be amalgamated on the expenditure review sheet, to protect the privacy of individual staff.	
R4	VAT should be reclaimed on a more regular basis, during this period of high Capital expenditure.	
Review of Assessment and Management of Risk		
R5	The Council should consider increasing the level of Fidelity Guarantee Insurance, this should be set as a minimum at the total bank balance as at year end plus one half of the value of the precept, currently this would be in the region of £312k.	
Review of Income		
R6	The council should review its fees annually as part of the budget and precept setting exercise.	
R7	The council should consider amending its allotment tenancy agreement to include the charging of a deposit, to be retained and used to clear the plot if the plot is not handed back in good condition.	
Review of Staff Salaries		
R8	The council should ensure it has access to the HMRC online account, not only is this necessary to ensure it can access its tax and National Insurance data, but also its' VAT returns.	
R9	To ensure there are no correspondence access issues in the event of any change of Clerk, it would be prudent for the council to consider the use of a PO Box, and a mobile phone to be used for council use only.	
R10	The Clerks salary should be upfitted by a further point in recognition of her achievement of CILCa.	
R11	The method of working out monthly salaries should be changed to that detailed on the body of this report and salaries for the year to date reviewed and amended where necessary.	