

## **Englishcombe Parish Council**

*Internal Audit Report 2025-26*

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## **Background**

The Accounts and Audit Regulations 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 during our 2025-26 review, which has been undertaken remotely during the year on 3<sup>rd</sup> March and 29<sup>th</sup> April 2026 following closedown of the year's Accounts. We thank the Clerk for providing all necessary documentation to facilitate the progress and completion of our review.

## **Internal Audit Approach**

In conducting our review, we have, as previously, had regard to the materiality of transactions and their susceptibility to potential mis-recording or misrepresentation in the year-end Statement of Accounts as set out in Section 2 of the year's AGAR and summarised with total receipts and payments recorded in the Certificate of Exemption that needs completion and formal adoption by the Council prior to its submission to the external auditors. Our programme of cover is designed to afford appropriate assurance that the Council's financial and governance control 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.

We have discussed the Council's status regarding its ability to assign a positive assurance to the additional Box 10 assertion in the 2025-26 Governance Statement reviewing all relevant supporting documentation. Consequently, we will also be assigning a positive assurance in the year's IA certificate at Box "O".

## **Overall Conclusion**

We are pleased to acknowledge the continued quality of financial record keeping during 2025-26 with no issues or significant concerns arising this year.

We have duly signed off the AGAR IA Certificate for the year assigning positive assurances in all areas. As the Council's receipts and payments again separately total less than the £25,000 whereon an external audit would be required, a Part 2 AGAR form will need to be prepared, together with a Certificate of Exemption, which will need to be submitted to the appointed external auditors.

We take this opportunity to remind the Clerk and Council that the AGAR Sections 1 & 2, together with the Exemption Certificate, must be posted on the Council's website, together with the Notice of Public Rights in accordance with the information provided in the preface to the year's AGAR.

# Detailed Report

## Maintenance of Accounting Records & Bank Reconciliations

Our objective in this area of review 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 are pleased to note the continued use of the cashbook format we previously provided a former Clerk and to also record that no issues of concern arise in this area this year. We are also pleased to note that the cashbook and quarterly bank reconciliations have been subjected to independent scrutiny by a nominated councillor in accordance with the requirements of the adopted Financial Regulations (FRs): we have also verified the accuracy of each quarter-end bank reconciliation.

We also note that the Council's banking arrangements have been rationalised with only a single Unity account now in operation.

### Conclusions

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

## Review of Corporate Governance

Our objective here 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 reasonably be 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 also charged, as part of the IA Certificate, to determine whether the Council is compliant with the website disclosure requirements of The Accounts and Audit Regulations 2015 and, as a Council with an annual turnover below £25,000 of The Transparency Code for Smaller Authorities. We are pleased to record compliance with those disclosure requirements during 2025-26.

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 also pleased to note that both Standing Orders (SOs) and Financial Regulations (FRs) have been reviewed and adopted by the Council based on the extant NALC model documents with a consistent value of £4,000 recorded in both for formal tender action.

We are pleased to note that the Council has taken appropriate action to ensure that it is able to give a positive response to the new, for 2025-26, Assertion 10 in the AGAR Governance Statement developing a range of appropriate policies and procedures to help ensure the security of its website and compliance with GDPR and other regulations.

### Conclusions

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

## Review of Expenditure 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 been provided with soft copies of a selected (by ourselves) sample of invoices and other documentation supporting payments made during the financial year and have agreed detail to the spreadsheet cashbook and are pleased to record that no issues arise in that respect. We are also pleased to note that the Clerk has prepared a set of detailed Financial Procedures, which have been adopted by the Council in May 2025.

As reported last year, members should demonstrate the effective discharge of their fiduciary responsibilities signing / initialling and dating the invoices at the same time as they sign cheques and / or approve monthly standing order payments. We note that this recommendation has been adopted and is appropriately embodied in the above adopted Financial Procedures with invoices bearing clear evidence of member scrutiny and sign off.

Whilst we are pleased to note that each payment recorded in the cashbook has been allocated a sequential number, those numbers have not, as far as we have seen in our test sample, been recorded on the invoices themselves to afford an effective means of cross referencing to the cashbook: this is particularly important where the same value payment is made each month to payees (e.g., A R Lye).

We are pleased to note that a VAT reclaim covering the second half of 2024-25 transactions (i.e. to 31<sup>st</sup> March 2025) has been raised and paid by HMRC in April 2025. We are pleased to note that a reclaim for 2025-26 has been prepared, submitted to HMRC and repaid in early April 2026.

## **Conclusions**

***No significant issues or concerns arise in this area this year, although we again suggest that, in addition to bearing signatures / initials of members reviewing and approving invoices for payment, the cashbook recorded sequential numbers should also be recorded on the invoices to provide a clear cross-reference to the cashbook entries.***

*R1. The cashbook processing sequential numbers should be recorded on the invoices to afford a clear means of identification and cross reference, especially where identical payments are being made each month.*

## **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. The Governance and Accountability Manual (G&AM) – “The Practitioner’s Guide” requires all councils to develop an appropriate register of assessed risks and to formally review and adopt the register at least once annually.

We are pleased to note that, following our previous recommendation, the Council adopted, at the May 2025 full Council meeting, an appropriate Risk Register. We have examined the resultant document and consider it appropriate for the Council's ongoing requirements.

We note that the Council is insured through Zurich with Employer's and Public Liability cover both in place at £10 million, together with Fidelity Guarantee cover at £25,000, which we consider appropriate for the Council's present requirements.

### ***Conclusions***

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

## **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 B&NES: 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 general reserves to cover any unplanned expenditure that might arise.

We are pleased to note that the Council has, following due deliberation, assessed its budgetary requirements for 2026-27, formally approving and adopting a precept of £14,725 for the year at the January 2026 full Council meeting.

We are again pleased to note that members are provided with periodic detail of payments for approval and bank balances, which are duly minuted: understandably, due to the low volume and value of transactions, no formal budget reporting against the projected budget by heading occurs during the year.

The Council's total fund balance at 31<sup>st</sup> March 2026 has reduced to £9,874 which equates to 8½ months' spending at the 2025-26 level and sits comfortably within the generally accepted range of between three and twelve months' such 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 income from limited sources primarily the annual precept, occasional grants and recoverable VAT, detail of which we have agreed to the underlying supporting documentation, where available. We note that B&NES underpaid the Council's 2025-26 precept by £200, which has been pursued with confirmation received that the underpayment would be corrected in the current / new financial year.

### ***Conclusion***

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

## **Petty Cash Account**

***The Council does not operate a petty cash account. Any incidental expenses incurred by the Clerk or councillors are reclaimed and recovered through the normal trader payment process.***

## **Review of Staff Salaries**

We note that the Council has now appointed the Locum Clerk on a permanent basis with a formal signed employment contract in place detailing the contracted weekly hours and spinal point on the NJC scale with effect from 1<sup>st</sup> July 2025. His salary is paid monthly with the Basic PAYE Tools software in use for that purpose.

The Clerk has provided copies of the resultant payslips for each month from July 2025 and we have: -

- Verified the monthly gross salary payments paid each month;
- Verified the accurate calculation of the monthly tax liability and NI contributions;
- Noted that the Clerk is not contributing to any pension scheme.

In checking the standard monthly gross salary payable, we have noted a minor underpayment as the calculated gross salary has been calculated based on a 52-week year. The NJC hourly salary rate payable for each spinal point has actually been calculated on the basis of there being 52.143 weeks in the year (i.e. 365 days / 7): we have pointed this anomaly out to the Clerk suggesting that going forward his gross salary is calculated appropriately and that any arrears due are also paid with the next month's salary.

### ***Conclusions and recommendation***

***No major issues have been identified in this area although, as above, we have noted a small under-calculation of the Clerk's gross salary payable and drawn it to his attention and note that an appropriate correction has been made with the April 2026 salary payment which will also be applied in future months.***

## **Asset Registers / Inventories**

The Practitioner's Guide requires all councils to maintain a record of its stock of owned assets. We have noted previously that the AGAR has recorded a value of £10,472 in the past couple of years, that value being based on the insured value of the council's assets rather than the purchase cost, net of VAT.

We are pleased to note that the Clerk has maintained an appropriate register basing values on the previously determined purchase cost of the assets. No new assets have been acquired during the year and, consequently, the value of £14,190 reported in the 2024-25 AGAR Section 2, Box 9 remains unchanged in the 2025-26 AGAR.

### ***Conclusions***

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

## **Investments and Loans**

***The Council has no long or short-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 neither the Council's receipts or payments exceed £25,000 the Council may, as indicated earlier in this report, claim exemption from the external audit review and certification process, but will need to prepare and submit an appropriate "Exemption Certificate" for submission to the external auditors in accordance with the guidance notes set out in the Preface to a Part 2 AGAR.

### ***Conclusions***

***Based on the conclusions drawn from our review process this year, we have duly signed off the IA Certificate in the AGAR assigning positive assurances in all areas.***

Rec. No.	Recommendation	Response
<b>Review of Expenditure and VAT</b>		
R1	The cashbook processing sequential numbers should be recorded on the invoices to afford a clear means of identification and cross reference, especially where identical payments are being made each month.	