

Highmoor Parish Council

Internal Audit Report 2025-26: Final update

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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 two reviews of the Council's records for the year, which were undertaken remotely during December 2025 and on 3rd April 2026 following agreement of that approach with the Clerk. We again thank the Clerk for assisting the process, providing the requested documentation in electronic format to facilitate completion 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.

We are pleased to record that the Council has taken appropriate action to ensure compliance with the Practitioner Guide requirements in relation to the new Assertion 10 in the 2025-26 AGAR Governance Statement.

Overall Conclusions

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

We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area. This report should be presented to members in accordance with the statutory requirement.

Detailed Report

Maintenance of Accounting Records & Bank Reconciliations

The Clerk has again used the Scribe software to maintain the accounting records during 2025-26 with two accounts in place with Unity Bank.

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 carry forward of the closing 2024-25 balance as the opening balance in the Scribe accounts for 2025-26;
- Ensured that an appropriate coding structure is in place to facilitate effective budget monitoring / performance management;
- Checked and agreed detail in the receipts and payments Scribe “cashbooks” by reference to the relevant supporting bank statements for the financial year;
- Checked and agreed detail on the bank reconciliations prepared at 30th November 2025 and 31st March 2026; and
- Ensured the accurate disclosure of the combined cash and bank account balances in the AGAR at Section 2, Box 8.

Conclusions

We are pleased to note compliance with guidance set out in the latest NALC model Financial Regulations adopted in May 2025 with a nominated councillor, who is neither the Chairman nor a cheque signatory, routinely verifying bank reconciliations and signing off both the reconciliations and bank statements as evidence of their review.

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 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 has adopted both SOs and Financial Regulations (FRs) at the May 2025 Council meeting aligning the documents with the latest NALC models. In reviewing their content, we note that the SOs refer to a formal tender limit of £25,000 (Para 18.a.v refers), whilst the FRs (Para 5.6) refer to a limit of £10,000 for such action. In line with our previous suggestion and given the Council’s annual budget, we consider the lower valued of £10,000 is more appropriate. A consistent value for tender action should also be recorded in both documents.

We have reviewed the Council and Committee minutes examining those 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 matters have been identified.

We are pleased to record that the Council has taken appropriate action to ensure compliance with the Practitioner Guide requirements in relation to the new Assertion 10 in the 2025-26 AGAR Governance Statement.

The Council will again be able to exempt itself from the external audit regime in 2025-26 as both receipts and payments are below the £25,000 threshold. We also note the intended compliance with the requirement to publicise the 2025-26 “Notice of Public Rights” for the examination of the Council’s records for the statutorily required 30 working days.

Conclusions and recommendation

We are pleased to report that no serious issues or concerns arise in this area, although as recorded in our interim report, the SOs and FRs should be amended to record a consistent value for formal tender action.

R1. The Standing Orders (SOs) and Financial Regulations (FRs) should record a consistent value for formal tender action, ideally in line with that recorded in the FRs at £10,000. The recommendation will be considered when the SO’s and FR’s are reviewed in May 2026.

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.

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.

To ensure compliance with the above criteria, we have selected a sample of 14 individual payments in the financial year totalling £5,050 and equating to 70% by value of non-pay related payments processed with no issues arising.

We note that VAT reclaims are generally prepared and submitted to HMRC annually, with only two small reclaims recovered in the last two years (£86.00 received in May 2024 and £188.00 received in May 2025). We do not have access to the 2023-24 payments detail, but note that total VAT expended in 2024-25 per that year’s Scribe payments list totalled £1,717.05 indicating that the year’s reclaim has been substantially understated and we therefore assume that a similar situation may have occurred in relation to 2023-24.

Notwithstanding the above apparent VAT underclaims, we note that the prepared 2025-26 reclaim agrees to the 2025-26 annual expended VAT as recorded in the Scribe payment cashbook listing.

Conclusions and recommendations

As indicated above, we consider the controls over the authorisation and release of payments as being generally sound, although we urge that the placement of purchase invoices on the Scribe software be deferred until such time as the approving councillor has signed them off as approved for payment.

R2. A supplementary VAT reclaim covering the balance of total VAT expended in 2023-24 and 2024-25 should be prepared and submitted to HMRC for repayment as soon as practicable. A supplementary reclaim covering the reclaimable balance for 2024-25 has been prepared and submitted to HMRC with repayment currently awaited.

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 are pleased to record that the Council has reviewed and re-adopted its comprehensive Risk register / management document at the May 2025 Council meeting: we have examined the resultant document and consider that it remains appropriate for the Council's ongoing requirements.

We have also examined the Council's insurance policy with Zurich noting that cover is in place with Employer's and Public Liability cover standing at £10 and £12 million respectively, together with Fidelity Guarantee cover at £0.25 million, all of which we consider appropriate for the Council's present needs.

Conclusions

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

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 the 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 its deliberations on its budgetary and precept requirements for 2026-27, formally approving the precept for the year at £15,159 at the November 2025 meeting.

As last year, we are pleased to note that the Clerk provides members with detail of the Council's budgetary position during the year and have reviewed the year-end Scribe generated budget and detailed transaction reports with no issues identified warranting further enquiry or comment.

We understood previously that the Council had a proportion of its funds set aside in specified earmarked reserves together with the residual General Reserve balance. However, we note that the Scribe accounts currently do not identify detail of those earmarked reserves either at the start of the financial year or of any movements in the year.

Conclusions and recommendation

We are pleased to record that no significant concerns arise in this area, although we urge that detail of the year's opening earmarked reserve balances and any in-year movement is recorded appropriately in the Scribe accounts.

R3. The Council should ensure that, where specific approved earmarked reserves are in place, their detail is identified appropriately in the Scribe accounts and that the Reserves Policy document is also updated appropriately to reflect the current approved values of any such specific reserves. Noted.

Review of Income

The Council receives limited income by way of the annual precept, bank interest, playing field and pitch rental and recoverable VAT. We have, as indicated in the first section of this report, agreed income recorded in the Scribe accounts to the underlying bank statements and other available supporting records with no issues arising other than the one previously referenced concern relating to the apparent shortfall in recovered VAT for 2023-24 and 2024-25.

Conclusions

We are pleased to record that no additional issues arise in this area warranting formal comment or recommendation. We shall monitor the recovery of further income at our final review.

Petty Cash Account and Cash Transactions

The Council does not operate a petty cash account or make any cash payments.

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.

The Clerk is the only employee of the Council: we have been advised previously of her contracted point on the NJC national pay scale and weekly payable hours, now noting approval of a two scale points increase with effect from 1st April 2026. The Council has outsourced preparation of the monthly payroll with a new provider appointed from 1st April 2025. All necessary monthly documentation is provided to the Clerk to facilitate payment of her net salary, together with the payment of her tax and NI contributions to HMRC.

To meet the above objective, we have: -

- Checked the Clerk's gross salary paid in September 2025, with the 2025-26 national pay award applied in that month's payroll including arrears payable from 1st April 2025;
- Checked and agreed the calculation of any tax and / or NI deductions to be applied to the tax code as recorded on the pay slip and appropriate NI Table; and
- Noted that the Clerk does not contribute to the LG Pension Scheme.

We note the Council's approval of a scale point increase to the Clerk's salary with effect from 1st April 2026.

Conclusions

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

Fixed Asset Registers

The Practitioner's Guide requires all councils to develop and maintain an appropriate register of the Council's land, property and equipment in a formal register, with the cost of assets (net of VAT) duly recorded, the total value of which should also be recorded in the AGAR at Section 2, Box 9.

We note that the Scribe accounting software provides the Council's formal asset register, detail of which we have reviewed and agreed for 2025-26 noting the addition of one new acquisition in the year.

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

No concerns have been identified in this area, although, as indicated above and previously we suggest that consideration be given to the development of a photographic register of street furniture, etc. to aid processing of any potential insurance claim that might arise from accidental or wilful damage.

R4. The Council should consider the development of a photographic register of its assets, which may be of assistance in the event of any accidental or wilful damage to property and equipment requiring an insurance reclaim.

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 note from examination of the 2025-26 Scribe accounts detail that Unity bank interest has been added appropriately to the bank accounts quarterly during the 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.

Statement of Accounts / AGAR

The AGAR now forms the statutory accounts of the Council in accordance with the Accounts and Audit Regulations 2015. As the Council's turnover for 2025-26 is below the £25,000 threshold requiring a limited assurance review by the appointed external auditor, the Council will again be able to "exempt" itself from that process completing and submitting to the external auditors the necessary AGAR Part 2 "Exemption Certificate". Consequently, we have signed off the Part 2 IA Certificate assigning positive assurances in each relevant area.

We remind the Clerk that, as a body with a turnover of less than £25,000, the Council is required to comply fully with the disclosure requirements of the 2015 Transparency Code for Smaller authorities and, from examination of the website are pleased to note general compliance with that requirement.

Conclusions

We are pleased to record that no issues arise in this area warranting formal comment or recommendation and have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

Rec. No	Recommendation	Response
Review of Corporate Governance		
R1	The Standing Orders (SOs) and Financial Regulations (FRs) should record a consistent value for formal tender action, ideally in line with that recorded in the FRs at £10,000.	<i>The recommendation will be considered when SO's and FR's are reviewed in May 2026.</i>
Review of Expenditure & VAT		
R2	A supplementary VAT reclaim covering the balance of total VAT expended in 2023-24 and 2024-25 should be prepared and submitted to HMRC for repayment as soon as practicable.	<i>A supplementary reclaim covering the reclaimable balance for 2024-25 has been prepared and submitted to HMRC with repayment currently awaited.</i>
Budgetary Control & Reserves		
R3	The Council should ensure that, where specific approved earmarked reserves are in place, their detail is identified appropriately in the Scribe accounts and that the Reserves Policy document is also updated appropriately to reflect the current approved values of any such specific reserves.	<i>Noted.</i>
Fixed Asset Registers		
R4	The Council should consider the development of a photographic register of its assets, which may be of assistance in the event of any accidental or wilful damage to property and equipment requiring an insurance reclaim.	