

# **Adderbury Parish Council**

*Internal Audit Report (Final update) 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 initial work undertaken in relation to the 2025-26 financial year, during our interim and final update reviews of the Council's records, which have been undertaken remotely during December 2025 and on 4<sup>th</sup> April 2026 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 completion of our review for the year.

## **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 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 generally adequate and effective controls over the Council's finances. We acknowledge the actions taken to address issues raised in last year's and this year's interim reports and, where appropriate action remains to be taken, have restated the recommendations in the following detailed report and appended Action Plan. Full detail of this and other less important issues are set out in the following detailed report with resultant recommendations further summarised in the appended Action Plan for ease of reference.

This report should be presented to members in accordance with the statutory requirement.

# 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. Two bank accounts are 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 that the closing 2024-25 balance has been brought forward correctly as the opening balance for 2025-26;
- 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 the relevant supporting bank statements;
- Examined detail on the bank reconciliations as of 30<sup>th</sup> November 2025 and 31<sup>st</sup> March 2026 with no issues arising. We note that one receipt, recorded in the Scribe accounts on 3<sup>rd</sup> November 2025, remains uncleared at the Council’s bank at the financial year-end. Appropriate action should be taken to establish the status of this outstanding deposit and, if appropriate, to either pursue recovery of the amount or write it back in the accounts as irrecoverable; and
- Ensured the accurate disclosure of the combined account balances in the AGAR at Section 2, Box 10.

### *Conclusions and recommendation*

*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.*

*RI. Action should be taken to pursue the one outstanding receipt, recorded in the Scribe accounts, which has not yet cleared through the Council’s bank accounts.*

## 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 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 limit for tender action of £60,000 (Para 18.1.v refers), whilst the FRs (Para 5.6 refers) refer to a limit of £15,000. In line with our previous suggestion and given the Council’s annual budget we consider the lower value of £15,000 to be more appropriate. A consistent value for formal tender action should be recorded in both documents, ideally at the lower value of £15,000.

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.

We note that the external auditors signed off the 2024-25 AGAR, again referring, inter alia, to various issues relating to publication of the Notice of Public Rights for the previous year. Consequently, we remind the Council to ensure that, when completing the 2025-26 AGAR and Public Notice, it ensures full compliance with the requisite Regulations.

### ***Conclusions and recommendations***

***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.***

***R2. 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 £15,000. The recommendation will be considered when the SO's and FR's are reviewed in May 2026.***

***R3. Care should be taken to ensure that, when completing the formal adoption of the 2025-26 AGAR and publishing the year's Notice of Public Rights, the legislative timing and disclosure requirements are observed and adhered to, as highlighted in the external auditor's certificate on the 2024-25 AGAR. Noted.***

## **Review of Expenditure**

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.

To ensure compliance with the above test criteria, we have selected a sample of 34 individual payments in the financial year totalling £76,610 equating to 78% by value of non-pay related payments processed in the Scribe accounts to that date. In examining the detailed transaction report by cost centre, we have noted an apparent mis-posting with the October and November salary costs coded to Code 13 (Clerk's expenses) rather than the correct salary code no. 11. We asked that the Clerk reviews and makes any necessary changes to the posting as it currently stands, which action we are pleased to note has been taken accordingly prior to the year-end closedown of the Scribe accounts.

We have made previous reference to the absence of documentation on the Scribe accounts supporting the Clerk's regular monthly expenses on travel, postage, etc noting that a typed summary of such costs is now being prepared and saved on Scribe as though it were an invoice. As suggested last year, copies of the relevant supporting documents (i.e. till receipts) should also be saved to Scribe with the certification stamp duly affixed to each supporting document.

Finally, we again note that VAT reclaims are prepared and submitted to HMRC annually, with that for 2024-25 repaid in April 2025: we have examined the 2025-26 reclaim at this final review ensuring agreement to the VAT expended during the year as recorded in the Scribe accounts.

### ***Conclusions and recommendations***

***We are pleased to record that no significant issues arise in this area this year, although the identified error, at our interim review, in posting the Clerk's October salary and home working allowance should be corrected appropriately.***

- R4. *The mis posting of the October and November 2025 salary payments should be corrected prior to the year-end closedown to ensure accurate analysis of expenditure in the AGAR Section 2. This has been actioned as recommended.*
- R5. *To ensure the existence of a clear audit trail, the detail behind the Clerk's miscellaneous expenses paid with her monthly salary, as recorded in Scribe, should be supported by formal documentary evidence, which should also be uploaded to Scribe routinely following member scrutiny and approval. Noted.*

## **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 again record that the Council has a comprehensive Risk Management document in place noting that it was reviewed and re-adopted by the Council at the May 2025 full Council meeting: we have reviewed the document and consider that it remains appropriate for the Council's present and ongoing requirements.

We have examined the Council's insurance policy noting that cover continues to be provided by Hiscox with both Employer's and Public Liability cover standing at £10 million and 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 remains in place at £10,000.

We note that an external provider undertakes period 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.*

## **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 are pleased to note that the Council has completed its formal deliberations on the budgetary and precept requirements for 2026-27 approving both and adopting the latter at £107,938 at the November 2025 Council meeting following due debate.

We again 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 report with no significant issues identified other than noting (at our interim review) that the budgeted value of the year's precept had not been recorded / set-up resulting in an apparent significant over performance in relation to the total income for the year at that date; we note that the budgeted value has now been recorded.

We are disappointed to note that, despite our previous recommendation, the Scribe accounts provide no information on the status of the Council's General and Earmarked Reserves.

### **Conclusions and recommendation**

*We are pleased to record that no significant concerns arise in this area other than the need to record the value of the budgeted precept and to disclose the status of the General Fund and EMR balances in Scribe.*

- R6. *Action should be taken to both record the approved / budgeted value of the annual precept for effective monitoring of overall budgetary performance. **Actioned as suggested.***
- R7. *Detail of the General Fund and approved Earmarked Reserve balances and movements thereon during the year should be recorded in the Scribe accounts. **Noted.***

## **Review of Income**

The Council receives income from a variety of sources, primarily by way of the annual precept, together with burial and associated cemetery fees, allotment rents, various events, recoverable VAT, and relatively limited amounts of bank interest.

We are pleased to note that the Council has complied with its FRs reviewing and adopting a revised schedule of fees and charges in relation to both burials and allotment rents for 2026-27, as minuted appropriately.

Our objective in this area is to ensure that all income due to the Council is identified and recovered within an appropriate time period and is also banked promptly. We have examined income arising from allotment rents and are pleased to again note that the Clerk has prepared a formal register of allotment tenants in spreadsheet format with detail recorded of the actual rent received from each tenant. Whilst not a significant issue, we suggest that to provide a clear cross-reference to the Scribe accounts two further columns be added to the spreadsheet recording the date of receipt and Scribe data entry line number.

The Clerk has kindly provided detail of burial ground interments occurring this financial year to the date of our interim review, of which there were only 4: she has also provided copies of undertakers' correspondence and the legally required burial / cremation certificates relating to those interments. Consequently, we have examined the Clerk's spreadsheet record of those interments ensuring that the appropriate fees have been charged and received with detail being recorded appropriately in the relevant Scribe Cost Centre: we have also ensured that recoverable fees in respect of headstones and additional inscriptions have been correctly charged in accordance with the 2025-26 fees applying.

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

***We are pleased to record that no significant issues or concerns arise in this area this year, although, as indicated above, we suggest that the allotment spreadsheet record be expanded to include the date of rental receipt and the Scribe entry reference number.***

*R8. To provide a clear cross-reference between the spreadsheet allotment register and Scribe accounts, the spreadsheet should be expanded to provide detail of the date of rental receipt and Scribe entry reference number.*

## **Petty Cash Account and Cash Payments**

***The Council has not operated a petty cash account during the current financial year, nor have any ash payments been made.***

## **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 examined the content of her employment contract previously noting that she is now paid in accordance with the nationally agreed NJC salary scale on point 33 for a contracted 87 hours per month, as approved by the Council. The Council has again outsourced preparation of the monthly payroll to Tax Assist, with all necessary monthly documentation provided to the Clerk to facilitate payment of her net salary and tax / NI contributions to HMRC and pension contributions to the Pension Fund Administrators.

To meet the above objective, we have: -

- Checked the Clerk's gross salary paid in September and October 2025, noting that the Council has formally approved payment of the nationally agreed 2025-26 pay award backdated to 1<sup>st</sup> April 2025, which has duly been paid with the September 2025 salary;
- Checked and ensured the accurate calculation of tax, NI and pension fund deductions / contributions based on the gross salary paid in both months in accordance with the tax code recorded on the pay slip, NI Tables and pension contribution band;
- Ensured that the appropriate tax, NI and employee / employer contributions to HMRC have been applied and been paid over to HMRC; and
- In checking the pension contribution being applied, noted that the payroll provider is deducting the Clerk's contribution at 6.5% rather than at the 5.8% rate applying from 1<sup>st</sup> April 2025 based on the updated contribution banding. The 6.5% rate applies to annual salaries in excess of £28,001.

### **Conclusions and recommendation**

***We are pleased to note that the payroll service provider has, finally, after several years' advice and recommendation, correctly deducted the Clerk's pension contribution from her gross pay before calculating the monthly tax liability, together with repaying a significant amount of overpaid tax in recent years with her July 2025 salary. That said, we have, as above, noted that the incorrect percentage is being applied to the Clerk's pension contribution – it should be calculated at 5.8% of gross salary, not 6.5% in accordance with the revised pension contribution bandings applying from 1<sup>st</sup> April 2025.***

***R9. The payroll provider should be advised of the correct percentage deduction rate to be applied to the Clerk's gross pay since 1<sup>st</sup> April 2025 (i.e. 5.8%, not 6.5%). This has been actioned appropriately with the correct percentage rate now being applied.***

## **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 duly recorded, the total value of which should be recorded in the AGAR at Section 2, Box 9. These values should not be subject to changes year-on-year other than to reflect the cost of any new acquisitions (net of VAT) and any disposals / deletions.

We note that the Scribe accounting software provides the Council's asset register, detail of which we have reviewed and agreed, as far as we are able, with a few small value additions 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.***

*R10. 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 are pleased to note the Council's compliance with the requirements of the Statutory guidance on Local Government investments (3rd Edition) issued under section 15(1)(a) of the Local Government Act 2003 effective from 1<sup>st</sup> April 2018 with an appropriate Annual Investment Strategy in place. Whilst it is improbable that the Unity bank will fail, with in excess of £150,000 in the combined two Unity accounts currently, the Council should consider diversifying the placement of surplus funds in other banking institutions, also ensuring that interest earning opportunities are maximised.

No loans are in existence payable either by or to the Council.

### ***Conclusions and recommendations***

***We are pleased to record that no significant concerns arise in this area other than in relation to the potential loss of funds should the Unity Bank ever fail: consequently we repeat our previous recommendation and urge that the Council considers further diversification of funds to other banking institutions as the Government's banking compensation scheme will still, following the announcement of an uplift in value, only reimburse losses up to £120,000 should a bank "fail".***

*R11. Consideration should be given to the diversification of the placement of surplus funds to reduce the risk of loss in the, albeit unlikely, event that Unity Bank should "fail", also maximising the potential further increase interest earning opportunities. **This will be considered in April 2026.***

## **Statement of Accounts / AGAR**

The AGAR now forms the statutory accounts of the Council in accordance with the Accounts and Audit Regulations 2015. The Accounts and financial detail at Section 2 of the year's AGAR are generated automatically by the Scribe accounts and we have consequently agreed the AGAR Section 2 detail to the underlying Scribe records.

### ***Conclusions***

***We have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area. We remind the Clerk and Council of the need to ensure that the correct AGAR Form is prepared, adopted and submitted to the external auditors.***

Rec. No.	Recommendation	Response
<b>Review of Accounting Records and Bank Reconciliations</b>		
R1	Action should be taken to pursue the one outstanding receipt recorded in the Scribe accounts, which has not yet cleared through the Council's bank accounts.	
<b>Review of Corporate Governance</b>		
R2	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 £15,000.	<i>The recommendation will be considered when the SO's and FR's are reviewed in May 2026.</i>
R3	Care should be taken to ensure that, when completing the formal adoption of the 2025-26 AGAR and publishing the year's Notice of Public Rights, the legislative timing and disclosure requirements are observed and adhered to, as highlighted in the external auditor's certificate on the 2024-25 AGAR.	<i>Noted.</i>
<b>Review of Expenditure and VAT</b>		
R4	The mis posting of the October and November 2025 salary payments should be corrected prior to the year-end closedown to ensure accurate analysis of expenditure in the AGAR Section 2.	<i>This has been actioned as recommended.</i>
R5	To ensure the existence of a clear audit trail, the detail behind the Clerk's miscellaneous expenses paid with her monthly salary, as recorded in Scribe, should be supported by formal documentary evidence, which should also be uploaded to Scribe routinely following member scrutiny and approval.	<i>Noted.</i>
<b>Budgetary Control &amp; Reserves</b>		
R6	Action should be taken to both record the approved / budgeted value of the annual precept for effective monitoring of overall budgetary performance.	<i>Actioned as suggested.</i>
R7	Detail of the General Fund and approved Earmarked Reserve balances and movements thereon during the year should be recorded in the Scribe accounts.	<i>Noted.</i>
<b>Review of Income</b>		
R8	To provide a clear cross-reference between the spreadsheet allotment register and Scribe accounts, the spreadsheet should be expanded to provide detail of the date of rental receipt and Scribe entry reference number.	
<b>Review of Staff Salaries</b>		
R9	The payroll provider should be advised of the correct percentage deduction rate to be applied to the Clerk's gross pay since 1 <sup>st</sup> April 2025 (i.e. 5.8%, not 6.5%).	<i>This has been actioned appropriately with the correct percentage rate now being applied.</i>

Rec. No.	Recommendation	Response
<b>Investments and Loans</b>		
R10	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.	
<b>Investments and Loans</b>		
R11	Consideration should be given to the diversification of the placement of surplus funds to reduce the risk of loss in the, albeit unlikely, event that Unity Bank should “fail”, also maximising the potential further increase interest earning opportunities.	<i>This will be considered in April 2026.</i>