AUDITING SOLUTIONS LTD

Oldbury on Severn Parish Council

Internal Audit Report: 2025-26

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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 following examination of the Council's financial and governance records for the year. We note that the former clerk has now left the Council's employment and that, largely consequent on that, the Council has determined to implement the Rialtas Alpha accounting software to record the 2025-26 and future years' financial transactions (they were formerly kept in spreadsheet format, but had not been kept fully up to date for the financial year.

Internal Audit Approach

In undertaking the year's 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 appropriate 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, as part of the Council's AGAR process, which requires independent assurance over several internal control objectives.

We note that the Council is undertaking a review of its governance and website control processes and, due to the absence of appropriate and / or detailed action during the financial year under review will be giving a negative response to the new, for 2025-26, Assertion 10 in the year's AGAR Governance Statement.

Overall Conclusion

We are pleased to record that, having switched to use of the Rialtas accounting software, the year's financial records are now in a fit state leading to the accurate presentation of financial information for the year in the AGAR at Section 2. Unfortunately, the financial records maintained in spreadsheet format by the former clerk were neither being kept up to date during the year nor were they complete as the VAT expended was not being recorded in the cashbook with only gross payment values recorded in the various cashbook analysis columns.

As in prior years, we ask that this report be presented to the Council and responses to the recommendations be provided indicating the Council's intended actions to address them in due course. We do, now also understand, that the prior year report was never presented to the Council contrary to the AGAR stipulated requirement that both the internal and external audit reports should be reported accordingly.

Based on the conclusions drawn from our programme of work, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in several, but not all relevant areas as set out in the following detailed report.

This report has been prepared for the sole use of Oldbury on Severn Parish Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Auditing Solutions Ltd to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents, or conclusions.

Detailed Report

Review of Accounting Arrangements & Bank Reconciliations

Our objective here is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in the accounting records: a single NatWest bank account remains in use, together with an NS&I account to which interest is added once annually in January.

As indicated in the preface to this report, the Council determined that, following the former clerk's departure and in view of the uncertainty over the accuracy of financial transaction recording in the previously in use spreadsheet cashbook records, the Council has now implemented, with assistance from the software supplier, the Rialtas Alpha accounting software with the company undertaking the full year's data entry.

Specifically, we have undertaken the following detailed testing / examination of the former spreadsheet and Alpha cashbook detail for the financial year: -

- Checked and agreed the accuracy of the brought forward 2024-25 closing account balances as opening balances for 2025-26 in the accounts;
- Checked, due to their relatively low volume, the full year's transactions on both bank accounts as recorded in the Alpha accounts by reference to the supporting bank statement detail;
- Reviewed and confirmed the accuracy of financial reconciliations as at 30th September 2025 and 31st March 2026 in the Alpha accounts; and
- Ensured the accurate disclosure of the combined year-end account balances in the AGAR at Section 2, Box 8.

Conclusions and recommendation

We do, however, note that the Council Chairman and members have received and approved detail of monthly receipts and payments and bank reconciliations for part but not all of the year.

We remind the Council and, when appointed, a new Clerk that the previously adopted (2020) Financial Regulations (FRs – Para 2.2) in addition to requiring the review and sign-off of bank reconciliations at least once quarterly, require that the supporting original bank statements should also be signed off by the reviewing member: we have seen no indication that the bank statements have been signed off and understand that such action has not taken place during the financial year.

We anticipate that the frequency and accuracy of data input to the accounting records will improve in 2026-27 following implementation of the Alpha accounting software. However, due to the status of data recording during the 2025-26 financial year, we will have to give a negative response to that element of the year's IA Certificate.

R1. In accordance with the Council's extant Financial Regulations, when checking the monthly / quarterly bank reconciliations, the reviewing member should also sign off copies of the supporting bank statements, which should be retained for audit inspection. That member should not be either the Chairman or a signatory on the bank accounts – the FRs refer.

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), that appropriate controls are in place over the management of public funds 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.

To meet that objective, 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 pleased to record that no such issues have been identified.

We note that the Council reviewed the latest versions of the NALC 2025 model SOs and FRs at the May 2025 full Council meeting, also noting from the minutes that both documents were due to be further examined by councillors with any suggested amendments due to be considered and adopted at the next Council meeting: unfortunately, that further review does not appear to have taken place until June 2026 with the documents then duly adopted.

We do, however, take this opportunity to draw the Council's attention to a potential issue which may not have been identified / addressed as yet by the Council despite our reference to the position in our prior year report. Both the latest NALC model SOs and FRs refer to a limit of £60,000 for formal tender action (Paras 18.a.v and 5.6 respectively refer): the Council's previously adopted SOs and FRs referred to a formal tender limit of £25.000, which value we consider more appropriate for a Council the size of Oldbury. We do, however, suggest that that value is adopted **net of VAT** to bring it fully into line with the current value referred to as being applicable for advertising contracts on the Government's Contract Finder website.

We note that following the departure of the clerk, councillors have been unable, as yet, to find a copy of the 2024-25 external audit certificate, which should have, but has not, been posted on the Council's website. Consequently, we have not been able to determine what, if any, the external auditors raised issues. We have requested a copy from BDO (the external auditors) and will provide a copy to the Council on receipt. Any issues raised therein should be considered by the Council when adopting the 2025-26 AGAR Governance Statement and accounts.

In examining the Council's website, we have also seen only limited reference to the Council's financial standing and, whilst not legally subject to the disclosure requirements set out in the Transparency Code, we urge that consideration be given to the posting of a wider range of financial and other information as set out in that Code in line with best practice. We understand that, in relation to the new, for 2025-26, Assertion 10 in the year's Governance Statement, the Council is currently taking action to ensure compliance and will consequently need to give a negative response in the year's AGAR in this respect as will we in the IA certificate.

Conclusions and recommendation

As indicated above, the Council must ensure compliance with the disclosure requirements relating to GDPR and the Accounts and Audit Regulations 2015 posting all requisite information on the website.

We take this opportunity to remind the Council of the requirement to advertise availability for public inspection of the Council's financial records for 2025-26 on its website for exactly 30 working days.

R2. When next reviewing and adopting Standing Orders and Financial Regulations, consideration should be given to setting a more appropriate value for formal tender action than the £60,000 recorded in the latest NALC documents, ideally setting the value at £25,000 excluding VAT.

R3. In line with best practice and ICO and GDPR disclosure requirements, including in relation to Assertion 10, the Council should consider posting a wider raft of information on its website in line with best practice and relation to the Transparency Code for Smaller Authorities.

Review of Expenditure & VAT

Our aim here is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures and approved budgets;
- 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 payments are being reported to Council;
- VAT has been calculated correctly for periodic recovery;
- All discounts due on goods and services supplied are identified and appropriate action taken to secure the discount; and
- That all payments have been coded appropriately.

We note that hard copies of purchase invoices were not being retained by the former clerk, members being provided with "soft" copies and a supporting schedule each month which they checked and then advised the Clerk to proceed with payment through the NatWest current account, which she duly set up and released. We have selected a sample of 31 individual payments during the year totalling £87,380 equating to 92% of non-pay related payments copies of which Councillor Day has kindly provided in hard copy format.

As recorded in last year's report, the absence of any formal evidence confirming members' scrutiny of invoices casts doubt on the effectiveness of member scrutiny and the overall approval process. We would, as a minimum, expect to see that each invoice is duly signed off / initialled and dated by the reviewing and approving (for payment) councillor(s) thereby evidencing their effective discharge of their fiduciary responsibilities over those elements of public funds usage. Also, in line with best practice, we urge that consideration be given to the acquisition of a suitably designed rubber certification stamp to be affixed to every invoice / payment supporting document being signed off accordingly by the Clerk confirming receipt of goods / services and arithmetic accuracy of the invoice for payment, together with the approving councillor(s) signatures / initials, together with the date of approval and actual payment: with the move to the Rialtas accounting software, we also suggest that the relevant account cost centre and code(s) are recorded on the invoice, together with the sequential transaction reference number which we are pleased to note will continue to be allocated and recorded in the Alpha accounts.

We are pleased to also note that revised arrangements have been put in place for 2026-27 with the acting clerk setting up the physical payments for release and two councillors then going online to physically release them.

We note that no VAT reclaims had been prepared by the former clerk covering the second half of 2024-25 or the first half-year for 2025-26. In entering data for 2025-26, Rialtas have also identified and provided detail of the reclaimable VAT for both the residue of 2024-25 and for the full 2025-26 financial year and that reclaims will now be submitted accordingly. We also note that, as in prior years, no invoices have been received or obtained for certain regularly charged services (e.g. monthly payments to Lebara) with recoverable VAT consequently not identified for recovery. Going forward,

we urge that the service provider be required to provide, as a minimum, quarterly statements identifying the recoverable VAT.

Finally in examining the purchase invoices for the year, we noted that in entering the payment into the Alpha accounts, Rialtas have inadvertently recorded VAT on the Hiscox insurance payment on 1st October.

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Conclusions and recommendations

Whilst acknowledging the improved controls now implemented in 2026-27 over the processing and authorisation of purchase invoices, to further ensure clarity of the certification process, consideration should be given to the acquisition of a suitably designed certification stamp for placement on every purchase invoice and payment supporting document including information as detailed above.

Action should also be taken to ensure amendment by Rialtas of the incorrect identification of the IPT element of the insurance cover payment as recoverable VAT.

R4. Appropriate arrangements should be put in place for members to formally demonstrate the effective discharge of their fiduciary responsibilities over public funds, with an appropriately designed certification stamp acquired and placed on each invoice / payment docket with the reviewing councillor(s) signing off / initialling hard copy invoices at the time of their approval for payment.

R5. The certified invoices should ideally all be retained in hard copy format for audit inspection or be scanned and saved electronically once they have been "signed off" as approved for payment.

R6. Similarly, action should be taken to ensure acquisition of all necessary documentation identifying all recoverable VAT.

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 are pleased to note that the Governance and Risk Register was reviewed and formally re-adopted by the Council at the meeting held in May 2025. We have reviewed the resultant document and consider that it remains appropriate for the Council's current requirements.

Hiscox provides the Council's insurance cover: we have examined the year's schedule and consider that appropriate cover is in place with, in addition to premises and equipment cover, Employer's and Public Liability both set at £10 million, and Fidelity Guarantee cover set at £500,000 all of which we consider appropriate for the Council's present requirements.

Conclusions

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

Budgetary Control and Reserves

We aim in this review area to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an approved budget and formal determination of the amount to be precepted on the parent Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

We are pleased to note that the Council has considered its budgetary requirements for 2026-27 agreeing the budget and precept at the November 2025 meeting: however, the precept value has not been formally recorded in the approving minutes. Consequently, a formal minute should be recorded at the next full Council meeting recording the approved precept value.

We note that the Council's total funds have reduced marginally at the financial year-end with a combined account balance of £58,139 (£61,625 at 31st March 2025), which value includes two earmarked reserve funds totalling £37,246. The residual General reserve balance of £20,893 equates to approximately 4 months' revenue spending and sits relatively comfortably in the generally accepted range of between three and twelve months' revenue spending.

We note that members continue to receive budget performance reports monthly during the year. The accuracy of these reports will be improved in 2026-27, once the financial year's detailed budget has been uploaded to the Rialtas Alph software: that for 2025-26 has not been recorded due to the timing of the switch to Rialtas accounts for the financial year.

Conclusions and recommendation

As indicated above a minute should be recorded at the next full Council meeting recording the approved value of the 2026-27 precept.

R7. The value of the approved 2026-27 precept should be minuted retrospectively at the next full Council meeting.

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 relatively limited sources, to ensure that income is invoiced where appropriate, in a timely manner and that effective procedures are in place to pursue recovery of any outstanding monies due to the Council. No booking diary has been maintained during 2025-26 and, whilst some invoices have been raised, full detail of those for the year have not been able to be traced following departure of the clerk. We have consequently only been able to verify income detail between the cashbook and bank statements.

We have discussed the position with Councillor Day and understand that the controls have now been improved with an appropriate diary record of bookings now being maintained and sequentially numbered invoices also now being raised and held on file for 2026-27. To further enhance controls over invoicing we suggest that a formal register of invoices raised be maintained with appropriate detail of the booking, the date the invoices are raised and the date of settlement also recorded, which would assist the follow up of any unpaid invoices during the year.

Conclusions and recommendation

No concerns have arisen other in this review area than in relation to the absence of any effective audit trail from bookings through to invoicing and recovery of fees due.

R8. To further improve control over the management of hall bookings, in addition to the introduction of a booking diary, a control record of invoices raised should be maintained recording detail of the hirer, hire date(s), the invoice issue and settlement dates.

Petty Cash Account

The Council does not operate a petty cash account or hold any cash change floats.

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 requirements of HMRC legislation and the deduction and payment over of income tax and NI contributions.

Consequently, we have checked the salary payments for the Clerk for two months during the year by reference to the supporting copy payslips provided. We note that an external agent was used to prepare the monthly payroll detail and are pleased to record that no issues arise in this area other than noting that the clerk's monthly gross salary calculation was based on the approved NJC scale hourly rate times the contracted weekly hours times 52 weeks and divided by 12 (months). However, the NJC hourly pay rate in 2025-26 was calculated on the basis of there being 52.143 weeks in the year (i.e.365 / 7): consequently, a relatively minor underpayment of the Clerk's salary has occurred during the year.

Conclusions

Whilst no significant issues have arisen in this area, as and when a new clerk is appointed the payroll service provider should be advised of the correct basis for calculating the monthly gross salary payable as detailed above.

Fixed Asset Registers

The Practitioner's Guide requires all Councils to maintain a comprehensive register of all assets owned and leased by the Council. We have noted previously the existence of an appropriate and comprehensive register maintained within the previously used Scribe accounting software. Having moved away from the Scribe accounts in 2024-25, that register was not maintained during that year or again in 2025-26, with the 2022-23 asset value again recorded in the 2024-25 AGAR at Section 2, Box 9 as £184,771.

We were advised last year that the Clerk was in the process of updating the asset register to include detail of new acquisitions during 2024-25 and noted in last year's report that the Clerk had started to prepare an updated asset register, which only recorded a total asset value of £11,528 compared with the previously recorded asset value in the AGAR.

We have provided Councillor Day with a copy of the former Scribe detailed asset register and urge that appropriate action is taken, using that document as a basis, to either ensure that that register reflects the current true state of the Council's asset ownership or is updated to reflect any new acquisitions or disposals / decommissioning of assets in 2024-25 and 2025-26. We acknowledge that this may require a degree of time and effort to ensure accuracy of the resultant document and suggest that the previous higher value again be recorded in the 2025-26 AGAR with an explanatory note

provided to the external auditor advising the intent to undertake a full validation exercise on the status of the Council's asset stock.

We also remind the Council that the assets values to be recorded in the AGAR should be based on actual acquisition cost net of VAT and should not be varied year-on-year other than to reflect any new acquisitions or disposals. Also, when assets are donated / gifted to the Council they should be assigned a nominal value of £1 in the asset register (The Governance and Accountability Manual - The Practitioner's Guide refers.

Many of our clients have also developed photographic records of their stock of assets which have assisted insurance reclaims and police investigations where damage has occurred to Council property either accidentally or through wilful damage and we are pleased to note that work on this is already in hand.

Conclusions and recommendations

As reported last year, an obvious and urgent need exists to ensure that a comprehensive and accurate asset register is prepared and maintained recording appropriate detail of all Council owned assets held with, where known, the purchase cost recorded net of any VAT: where the cost price is unknown, the former Scribe register values should be recorded.

The Practitioner's Guide provides full detail on what should form the content of the asset register and the basis of the financial values to be applied. The current absence of a meaningful asset register as a 31st March 2026 will again require us to assign a negative assurance in the AGAR IA Certificate in this respect.

R9. The Council must ensure that a comprehensive and complete asset register is created and maintained throughout each financial year with appropriate values assigned based on purchase cost, net of VAT, or, where donated, a nominal value of £1 assigned.

Investments and Loans

The Council has no "investments" or "loans" in place currently, with any "surplus" funds held in an NS&I account.

Statement of Accounts and AGAR

The AGAR, Section 2, forms the Council's formal Statement of Accounts subject to external audit examination and certification, detail of which we have agreed to the Rialtas Alpha generated detail, except in relation to assets, with no additional issues arising to those matters detailed in previous sections of the report.

Conclusions

We are pleased to record that no additional issues have arisen in this review area warranting further comment or recommendation, although, as indicated in earlier sections of this report, we have had to assign negative assertions to a few of the IA Certificate details where the Council has not provided appropriate documentation or taken appropriate action to merit positive assurances.

Rec. No.	Recommendation	Response
Review of Accounting Arrangements and Bank Reconciliations		
R1	In accordance with the Council's extant Financial Regulations, when checking the monthly / quarterly bank reconciliations, the reviewing member should also sign off copies of the supporting bank statements, which should be retained for audit inspection. That member should not be either the Chairman or a signatory on the bank accounts – the FRs refer.	
Review of Corporate Governance		
R2	When next reviewing and adopting Standing Orders and Financial Regulations, consideration should be given to setting a more appropriate value for formal tender action than the £60,000 recorded in the latest NALC documents, ideally setting the value at £25,000 excluding VAT.	
R3	In line with best practice and ICO and GDPR disclosure requirements, including in relation to Assertion 10, the Council should consider posting a wider raft of information on its website in line with best practice and relation to the Transparency Code for Smaller Authorities.	
Review of Expenditure		
R4	Appropriate arrangements should be put in place for members to formally demonstrate the effective discharge of their fiduciary responsibilities over public funds, with an appropriately designed certification stamp acquired and placed on each invoice / payment docket with the reviewing councillor(s) signing off / initialling hard copy invoices at the time of their approval for payment.	
R5	The certified invoices should ideally all be retained in hard copy format for audit inspection or be scanned and saved electronically once they have been "signed off" as approved for payment.	
R6	Similarly, action should be taken to ensure acquisition of all necessary documentation identifying all recoverable VAT.	
Budgetary Control and Reserves		
R7	The value of the approved 2026-27 precept should be minuted retrospectively at the next full Council meeting.	
Review of Income		
R8	To further improve control over the management of hall bookings, in addition to the introduction of a booking diary, a control record of invoices raised should be maintained recording detail of the hirer, hire date(s), the invoice issue and settlement dates.	

Rec. No.	Recommendation	Response
Fixed Asset Registers		
R9	The Council must ensure that a comprehensive and complete asset register is created and maintained throughout each financial year with appropriate values assigned based on purchase cost, net of VAT, or, where donated, a nominal value of £1 assigned.	-