

**BISHOP AUCKLAND TOWN COUNCIL**  
**INTERNAL AUDIT REPORT – 2025/26**

**1. Introduction and Background**

Following the abolition of the Audit Commission, a new organisation has been established which is responsible for issuing proper practices in relation to the accounts of smaller authorities. It is called the Smaller Authorities Proper Practices Board (SAPPB), and it is made up of members of the SLCC, NALC, CIPFA, the Ministry of Housing, Communities and Local Government (MHCLG), the Department of Environment, Food and Rural Affairs (DEFRA), the National Audit Office and a representative of the external audit firms appointed to smaller authorities.

Every smaller authority in England that either received gross income or incurred gross expenditure exceeding £25,000 must complete Part 3 of the Annual Governance and Accountability Return (AGAR) at the end of each financial year. The AGAR is made up of 3 sections along with an annual internal audit report, which is to be completed by the Town Council's independent internal auditor, who is to give an opinion on the Town Council's internal controls.

CDALC have provided Council's with a checklist to be used – this annual internal audit uses this checklist as the minimum requirement of the tests to be carried out.

**2. Objectives of the Internal Audit**

The objective of this internal audit is to examine the system of internal controls in place to ensure that the Town Council may obtain an adequate level of assurance for its activities.

**3. Scope of the Work and Areas of Audit Work to be examined**

The scope of our work done covers the Internal Audit key controls tests identified in the AGAR.

To complete our Internal Audit, the following areas will be examined and tested:

- Banking Arrangements
- Debtors and Income Collection
- Creditors and Payments
- Payroll
- VAT
- Assets
- Governance, Laws, Regulations and Publications
- Risk Management
- Budgetary Control
- Year-end Procedures

Information has been provided through the Scribe software / financial system (read-only access has been granted), the physical accounting records (invoices, bank statements/reconciliations, VAT returns), payroll records (electronically provided from outsourced provider), Town Council website and correspondence from the Clerk.

We have used a materiality figure of £4,000 – based on 1% of total expenditure (rounded to the nearest £'000).

We have examined the previous Internal and External Audit reports for 2024/25 and confirmed that there were no recommendations to be followed up impacting this year's work.

Our audit findings of this report have been discussed with the Clerk of the Council, and any audit recommendations have been agreed with her.

#### **4. Results and Findings**

##### Accounting Records:

The Council uses Scribe digital software as its financial system to record all income and expenditure information. Scribe is widely considered to be a bespoke software used by Town Councils, designed for council-specific accounting, and tailored to local Government requirements. Scribe also generates the annual return (AGAR) and is fully GDPR compliant.

Payroll preparation is outsourced to an external firm of accountants/payroll provider, who use Sage payroll software to record, prepare and file the monthly payroll information. Sage is widely considered a market leader in payroll software.

This is considered an appropriate and adequate accounting record for the Council.

##### Creditors and Payments:

At the end of the financial year, there were outstanding creditors totalling £2,190.76

All payments are made by electronic transfers (BACS), direct debit, debit card, and cash. There are currently no dual authority controls in place.

There are good segregation of duties involving the 3 employees when receiving, checking and processing invoices, as well as Councillors who approve the payments each month. All payments are approved at monthly board meetings by the finance committee - a payments approved list is produced each month from Scribe for the finance committee, with payment types shown, so that committee members can verify and approve payments.

Further compensating checks are carried out regarding payments - the Chair approves and agrees the schedule of payments each month and 2 members sign any cheques (cheque stub initialled and available for review during internal audit). When payments are made via BACS, 2 employees sit together to check details put in for payment and ensure accurate before payment is made.

Detailed testing on the payments system between April 2025 and March 2026 was carried out to ensure that the internal control was working satisfactorily.

The payments list from Scribe was downloaded for the full period and examined, with a sample selected for testing. From reviewing payments in Scribe, there were 672 total payments during the year to 31st March 2026.

Of this, there were 14 payments above materiality and 59 payments related to payroll, which would be tested separately, leaving a total of 599 payments to select a sample from. Our sample of invoices and payments covered 52% of total payments.

Detailed testing on the sample of payments included the following:

- Evidence of valid invoice for each payment
- Evidence of invoice approval
- Evidence of payment authorisation
- Ensuring the VAT treatment is correct
- Tracing each payment in Scribe to the bank statements

Each invoice has a voucher attached showing the Scribe reference number, details of payment method, initials of who has checked the invoice, initials of who has authorised the invoice, reference to the meeting minutes where approval was granted and the date of the payment.

Each month, a payments approved list is produced from Scribe for the Finance Committee so members can verify and approve payments. This list is signed by the Chair each month.

All payments examined for 2025/26 in our sample were found to be valid, with a valid invoice and approved by Council. All payments were correctly paid.

On this basis, in our opinion, we believe that internal controls in operation were working adequately with regards to payments.

#### VAT:

The Council is not registered for VAT. However, they are entitled to reclaim VAT incurred on their purchases under Special Provisions (Section 33 of VAT Act 1994) designed for non-profit making public bodies/organisations.

VAT is recorded throughout the year via the Scribe system. VAT reports are generated within Scribe showing the Council how much VAT can be reclaimed.

From reviewing receipts in Scribe, there were 4 VAT reclaims made during the year to 31st March 2026. The reclaims are received direct into the bank deposit account. All above reclaims traced to bank statements and agreed.

The reclaim reports were reviewed for inaccuracies and none were identified. All items included in VAT reclaim are vatable and all supplier VAT registration numbers included for verification.

On this basis, in our opinion, we believe that internal controls in operation were working adequately with regards to VAT.

#### Debtors and Income Collection:

At the end of the financial year, there were no outstanding debtors owed.

All income sums due to the Council shall be the responsibility of the Finance Officer (Clerk).

The Council receives income from the following sources:

- Precept
- LCTS Grant
- Allotment Rents
- Room Hire
- Interest from Bank Accounts
- Other Grants
- VAT Reclaims from HMRC

Detailed testing on the income collection and banking system between April 2025 and March 2026 was carried out to ensure that the internal control was working satisfactorily.

The receipts list from Scribe was downloaded for the full period and examined, with a sample selected for testing. From reviewing receipts in Scribe, there were 351 total receipts during the year to 31st March 2026.

Of this, there were 2 receipts above materiality (including the annual precept receipt), and 4 VAT receipts, which were tested separately, leaving a total of 345 receipts to select a sample from. Our sample of receipts covered 44% of total receipts.

All expected income from the sample selected was fully received, based on the correct prices (being the invoiced amounts) and all income was properly recorded.

Sample included annual precept received from DCC, being the largest receipt during the year. This was agreed to the budget and confirmed to be correctly requested and received.

On this basis, in our opinion, we believe that internal controls in operation were working adequately with regards to income and banking.

#### Payroll:

Payroll preparation is outsourced to an external firm of accountants/payroll provider, who use Sage payroll software to record, prepare and file the monthly payroll information.

The Council employs 4 officers who are paid a salary in accordance with NJC conditions of service.

All payroll reports for 2025/26 were reviewed and agreed - correct rates used in accordance with HMRC tax and NIC rates.

All payroll payments reviewed and agreed to payment approval lists - all payments were found to be approved by Council at monthly Council meetings and were correctly paid.

On this basis, in our opinion, we believe that internal controls in operation were working adequately with regards to payroll.

### Assets:

An asset list is produced from Scribe and is agreed by the Finance Committee and approved with the statement of accounts at the end of the financial year. The asset register is updated throughout the year as and when required. This was reviewed at the Policy and Resources meeting on 17th February 2026.

Insurance documents were reviewed during our audit to ensure all assets are sufficiently covered and there is adequate insurance cover in place, in particular public liability.

On this basis, in our opinion, we believe that internal controls in operation were working adequately regarding assets.

### Banking Arrangements:

Bank reconciliations are carried out monthly for all accounts - reconciliations carried out using Scribe reconciliation reports and bank statements (statement reconciled back to Scribe). All monthly reconciliations are signed by Chair of Finance.

We examined the bank reconciliation at the end of the year as at 31st March 2026, agreeing balances to the bank statements and Scribe reports. All balances agreed from Scribe reconciliation to the closing bank statements, with no differences noted.

Reconciliation reports were reviewed for authorisation (signatures of approval).

As well as the year-end reconciliation, we also examined 3 further monthly reconciliations at varying points during the year. This was done to ensure the control was maintained throughout the year and not just done at the annual year-end point.

From the 3 months examined, 2 reconciliations agreed but were not fully signed off – main current account reconciliations signed, but deposit account reconciliation was not signed. This appeared to be an oversight, as all other pages of the reconciliation were signed.

On this basis, in our opinion, we believe that internal controls in operation were working adequately with regards to bank reconciliations.

### Budgetary Control:

The Budget setting process was initially discussed at the Policy and Resources meetings held on 7th October 2025 and 4th November 2025. An initial plan of the budget changes and precept preparation was presented to the Council at the meeting held on 2nd December 2025 with options put to the committee for consideration and the budget for 2026/27, and precept, was agreed by full council on 9th December 2025.

Budgetary control was carried out throughout the year using reports from Scribe. The Clerk presents a budget monitoring report each quarter, giving an update at the Town meeting of the budget v actual with regards to income and expenditure.

Budget for 2025/26 reviewed and agreed to final income and expenditure reports.

The precept requirement resulted from an adequate budgetary process. Ongoing progress of actual results against the budget were regularly monitored and reserves were considered appropriate.

On this basis, in our opinion, we believe that internal controls in operation were working adequately with regards to budgetary control.

Governance and Risk, Laws, Regulations and Publications:

Financial Regulations and Regular Payments/Standing Orders were discussed at the annual Town Council meeting on 13th May 2025 - this was as part of the constitution review for BATC.

Regular payments, standing orders and ongoing obligations were reviewed and agreed.

The asset register and risk register for 2025/26, along with the effectiveness of internal control and audit diary for 2025/26, were reviewed and agreed/approved on 17th February 2026.

Minutes from town council meetings reviewed and agreed for all approvals - all agreed.

The risk to the Town Council is improved with the appointment of a new independent Internal Auditor this year, who will give assurance on the Council's internal controls.

Insurance cover was reviewed as part of the Governance review and we can confirm that the Council has adequate insurance levels in place, with regards to public liability cover.

The Town Clerk has achieved the CiLCA qualification, which enables the Council to adopt the General Powers of Competence.

The risk to the Town Council is further improved with the recent appointment of a part-time Head of Governance Support Officer, who started in Spring 2026.

The exercise of public rights was announced on 2nd June 2025 with the inspection period between 3rd June and ending on 14th July 2025. This was confirmed in the Town Council meeting on 13th May 2025 and agreed.

The Council's website was reviewed for all relevant information - it was found to have published all relevant information.

In our opinion, we believe the Council has published the required information and this was up to date at the time of commencing our internal audit, in accordance with the relevant legislation.

We believe the Council has complied with the publication requirements for 2025/26 AGAR.

We believe the Council has complied with laws, regulations and proper practices relating to digital and data compliance.

## 5. Conclusions and Recommendations

Based on the work done, we believe the Internal controls of the Council to be satisfactory.

### Recommendations:

- Ensure to include a copy of the payments approved/authorised list to minutes of meetings – there was several instances where the payments approved lists were held elsewhere and not with the minutes file.
- Ensure monthly bank reconciliations for all accounts are signed by Head of Finance – there was two instances where the deposit account reconciliation was not signed (but all other accounts had been).
- Unpresented payments and receipts to review as part of bank reconciliation to ensure all unpresented items clear the account on a timely basis.

We are of the opinion that Bishop Auckland Town Council has met the criteria as shown on page 3 of the AGAR report and we can therefore certify the Internal Audit Report.



**Nigel Rea FCA**  
**Internal Auditor to the Council**  
**Date: 13<sup>th</sup> May 2026**