APPENDIX E

Newton Abbot Town Council

Internal Audit Report: Final update 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, during our two onsite reviews of the Council's records for the year, which were undertaken on 12th November 2025 and 24th February 2026. Due to a variety of reasons, it has become necessary for us to undertake the final review remotely and we thank the Deputy Clerk / RFO for agreeing to that approach and ensuring that we receive all necessary documentation for us to finalise the year's review programme.

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 have reviewed the Council's approach to ensuring compliance with the new, for 2025-26, Assertion 10 in the AGAR Governance Statement and are pleased to note the positive actions taken to meet the requirements with appropriate website security arrangements in place and a raft of appropriate policies and procedures prepared and adopted by the Council. Consequently, we consider that the Council can give a positive assurance in this respect as will we in the IA Certificate at Box "O".

Overall Conclusions

We are pleased to advise that, based on the work undertaken this year, the Council and its officers continue to maintain adequate and effective internal control arrangements, although we are disappointed to note that little positive action has been taken to address the recommendations set out in our final 2024-25 report relating to management and recording of room bookings: consequently, we have reiterated those issues and recommendations in this report and urge that they are addressed appropriately going forward.

Based on the overall satisfactory conclusions drawn from our work programme this year, we have duly signed off the IA Certificate in the year's AGAR assigning positive assurances in each relevant area.

We take this opportunity to remind the Clerk and RFO of the requirements of the guidance notes in the year's AGAR in relation to the documentation that should be displayed on the Council's website, together with the need to ensure compliance with the timing requirements for publication of the Notice of Public Rights to examine the Council's financial and other documentation for the year.

Detailed Report

Maintenance of Accounting Records & 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 cashbooks as now maintained using the Scribe accounting software with two Lloyds bank accounts in day-to-day use (Current and Business Call): transactions are recorded in the accounts in a single cashbook with daily, or when required, automatic inter-account transfers effected by the bank to retain the Current account balance at or around £100. Surplus funds are held in the CCLA Public Sector Deposit Fund (PSDF) with monthly interest received, which is paid directly into the Lloyds current account and recorded appropriately in the accounts. A petty cash account with an "imprest" balance of £200 is also maintained, together with cash change floats at the Museum.

Consequently, we have: -

- Checked to ensure the accurate roll forward of the 2024-25 closing balances as opening that neither the PSDF nor petty cash account balances were brought forward into the Scribe accounts: this has been corrected subsequently;
- Checked four months' transactions on the combined Current and Business Call Accounts cashbook (April and September 2025, plus January and March 2026) by reference to supporting bank statements;
- Agreed the monthly CCLA interest receipts deposited in the Lloyds Current account to the monthly CCLA statements for the full financial year;
- Checked and agreed the accuracy of bank reconciliations on the accounts as at 30th April and September 2025, plus 31st January and March 2026; and
- Ensured the accurate disclosure of the combined accounts year-end balances in the AGAR at Section 2, Box 8.

Conclusions and recommendation

We are pleased to again note that members are provided with copies of month-end bank reconciliations, budget reports and other financial documentation for scrutiny with reconciliations signed off accordingly. In checking the month-end reconciliations generated by the Scribe software at our first review visit for the year we noted (as recorded above) that the year's recorded "Opening balance" did not include detail of the significant CCLA PSDF account balance or the £200 petty cash float / imprest holding.

Consequently, we suggested to the RFO that both these account balances should be reflected in the Scribe accounts monthly bank reconciliations as part of the year's brought forward balance with detail of those balances also recorded as part of the month-end account holding balances and are pleased to acknowledge that appropriate remedial action was taken.

R1. The software supplier's assistance should be sought to ensure that the accounts are effectively balanced with the CCLA PSDF and petty cash account balances appropriately recorded as part on the year's opening balances. ***This has been actioned accordingly.***

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 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 also aim to ensure that appropriate policies, procedures and protocols are in place to prevent and provide a reasonable assurance of the detection of any fraudulent or corrupt activity.

We have examined the Council's and Standing Committee (excluding Planning) minutes for the financial year as posted on the Council's website, to identify whether or not any issues exist that may have an adverse effect, through litigation or other causes, on the Council's future financial stability with no such concerns identified.

We have noted previously that the Council's SOs and FRs were reviewed with the Council opting to retain the former in their existing "house style" format. We note that, whilst the SOs remain in that format, the Council has adopted the latest version of the NALC FRs at its meeting in July 2025 with a recorded limit of £30,000 including VAT for formal tender action.

We noted at the time of our February 2026 visit that, following an anonymous query on the 2024-25 AGAR, the external auditors had, at that date, still to finalise their review and sign off their certificate in the year's AGAR. They have subsequently signed off the AGAR in March 2026 with only one concern raised regarding the exercise of public rights for 2024-25: the Council will, consequently, need to give a negative response at Assertion 4 in the 2025-26 Governance Statement. We are pleased to note that a formal "Notice of Public Rights" for 2024-25 has been published appropriately as required by the 2015 Accounts and Audit Regulations for the requisite 30 working days.

As indicated in the preface to this report, we are pleased to acknowledge the actions taken by the Council to ensure compliance with the requirements of the new Assertion 10 in the AGAR Governance Statement for 2025-26 with work ongoing to ensure all policies and procedures are updated appropriately. We have reviewed the relevant policies and procedures and consider them appropriate to confirm compliance with Assertion 10 and for a positive response to be provided in the year's AGAR Governance Statement.

Conclusions

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

Review of Expenditure

Our aim here is to ensure that:

- Council resources are released in accordance with the Council's approved procedures and 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 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 examined the payment approval and release process during our first review visit for the year and considered that the controls in place remained appropriate with effective segregation of duties in place between setting up payments online and their physical release. We also noted that a certification stamp continues to be affixed to every invoice with appropriate initialling of the various stages of checking and data entry into the Scribe accounts, with a councillor also initialling and dating the invoices as evidence of their review and approval for payment.

To confirm the effectiveness of the controls over the processing of payments in the financial year, we have now selected an extended sample of 88 individual payments in the financial year, including the annual Newton's Place Non-Domestic Rate bill paid over 10 months of the year and monthly contract payment to Grenke Leasing. Our test sample includes all those payments individually in excess of £3,000, together with a more random sample of every 50th payment, as listed in the Scribe cashbooks. The sample totals £429,050 equating to 43% by value of the non-pay related payments processed in the year with all the above criteria met.

VAT reclaims continue to be prepared and submitted to HMRC for recovery at the end of each quarter: consequently, we have ensured that the final 2024-25 quarter reclaim and the four quarterly reclaims for 2025-26 have been prepared and submitted to HMRC for repayment with no issues arising.

Conclusions

We are pleased to record that the controls in place over the payment of traders' invoices continue to operate effectively with no issues arising in this area warranting formal comment or recommendation.

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 / or 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 note that the Council's Business Continuity and Risk Management Plan was reviewed and re-adopted by the Council at the June 2025 full Council meeting and have reviewed the content which we consider remains appropriate for the Council's present requirements.

We have examined the Council's current year insurance policy arranged with Aviva to ensure that appropriate cover remains in place, noting that both Employer's and Public Liability cover stand at £10 million, together with Fidelity Guarantee cover at £1 million and Business Interruption – Loss of Revenue cover at £25,247, 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 this year.

Budgetary Control & Reserves

We aim in this area of our work 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 Teignbridge DC (TDC); 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 note the satisfactory conclusion of the Council's 2026-27 budget and precept deliberations with the latter formally approved and adopted by Council at £1,822,075 at the January 2026 full Council meeting.

We are again pleased to note that members continue to receive periodic budget reports throughout the year and have reviewed the year-end budget outturn report obtaining appropriate explanations for the few significant variances existing by reference to the Scribe detailed transaction reports. In reviewing the Scribe budget report at the time of our interim update visit, we noted that no formal budget values had been assigned to a number of the various income streams and suggest that, when setting up the 2026-27 Scribe budget information, appropriate budget values are recorded to afford a measure of actual income performance against the anticipated annual income in each case.

We have also considered the ongoing appropriateness of the Council's overall retained reserves which have increased to £1,038,897 (£909,386 at the prior year-end): of that total, £41,188 is set aside in specified earmarked reserves (EMRs). The residual General Reserve balance of £997,709 equates to approximately 7 months' revenue spending at the 2025-26 level and sits comfortably within the generally recognised holding of between 3 and 12 month's revenue spending.

Conclusions and recommendations

No significant issues arise in this area, although, as indicated above, we suggest that appropriate income budget values are recorded in the Scribe accounts in future years.

*R2. Consideration should be given to recording income values in the annual Scribe budget report detail to afford a more transparent record of actual performance against the anticipated income. – **This has been actioned accordingly.***

Review of Income

The Council receives income primarily by way of the annual precept, together with allotment rents and room hire fees at the Museum / Council offices plus a plethora of small miscellaneous sources.

We have reviewed room hires at the Museum selecting a further 2 weeks (to the week examined at our first visit) bookings in December 2025 noting that the manuscript booking diary continues to be maintained which includes detail of the hirer's name / business, the hire times and settlement date of the resultant hire invoice. As recorded previously, the invoices are not being sequentially numbered, although we note that a file of raised invoices continues to be maintained with copies of the invoices raised filed in hire date order.

As suggested previously, to ensure that a clear audit trail is in place, we urge that invoices be annotated with sequential numbers with hard copies of the invoices filed sequentially throughout the year. Ideally, the booking diary should not only record the date invoices are paid, but also record the invoice number to simplify identification of the supporting hard copy documents: the latter should also identify the settlement date and to further ease recognition of unpaid accounts, we again suggest that, when paid, the top right-hand corner of the invoices be cut off.

We have also examined the record maintained of income arising from allotment rents noting that a spreadsheet record is being maintained with detail of the plot numbers, tenants and individual plot rents payable recorded at each of the 6 allotment sites that the Council now manages: rents due and collected to the date of our interim update review for the year totalled £13,139. Whilst we consider the spreadsheet appropriate for the Council's requirements, we suggest an enhancement to provide a full and effective audit trail, with further columnar information included recording the settlement date of the rent due and the amount received which should ideally match the rent due. This would then serve to highlight any unpaid rents and aid pursuance of their recovery.

Further income arises from the annual Lantern Parade and Museum shop sales, detail of which we have examined through the Scribe accounts and the separate spreadsheet control record of the former income source with no issues arising. We note that the stock of Museum shop goods is examined and recorded at the year-end with the balance duly recorded in the year's accounts.

Conclusions and recommendations

To ensure that appropriate and clear financial recording and an effective audit trail is put in place over the invoicing of room hire charges, we restate our previous suggestions that the following detail should ideally be recorded in the booking diary and accounts: -

- ***Invoices should be raised and issued with a unique sequential reference number rather than purely a date reference, that number also being recorded in the booking diary;***
- ***As and when payment is received, the date of payment should also be recorded on the copy invoice with, ideally, the top right-hand corner cut off the invoice to afford a clear visual record of any unpaid invoices;***
- ***All hire forms, both casual and regular, should be signed by the hirers confirming understanding and acceptance of the Terms and Conditions of hire: booking forms for regular hirers should, as a minimum, be renewed and signed at least once annually (as the event organiser / hirer may change from time to time).***

R3. An effective system of recording room bookings at the Museum should be implemented, together with more comprehensive records maintained affording a clear audit trail, as detailed in the body of the report.

R4. An effective cross-referencing system should also be introduced with sequentially numbered invoices raised, rather than the use of a date as the invoice reference number.

R5. Prepared invoices should be retained on file in sequential order for audit inspection, ideally with a corner of the invoice cut off on receipt of payment and the date of payment duly recorded thereon. ***Invoices are filed sequentially in date order.***

R6. To provide an effective audit trail and ease identification of any unpaid allotment rents, the present control spreadsheet record should be expanded to include further columns identifying the date and actual value of the rents received.

Petty Cash Account

We are required, as part of the AGAR IA certification process, to review and verify the soundness of controls over the operation of the Council's petty cash account and any cash floats in use. We have noted previously that a petty cash imprest holding of £200 is in place, which remains the case in 2025-26. As in the previous accounting system, cash expenditure incurred is reimbursed once monthly with till receipts, etc summarised on a spreadsheet and coded / charged appropriately to the relevant expense codes with the physical cash holding "topped up" accordingly with the total amount expended each month.

We examined the physical petty cash holding on the day of our first interim visit ensuring that the cash balance, together with till receipts since the last reimbursement / "top up" of the petty cash account, agreed with the imprest holding of £200 with no issues arising. we have, at our interim update visit, checked the two cash change floats held in the Museum office agreeing the physical amounts held to the anticipated values.

Conclusions

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

Review of Staff Salaries

In examining the Council's payroll function, we aim to confirm that salary payments are made in line with the Council's approved pay rates and that extant legislation is being appropriately observed as regards adherence to the requirements of HMRC legislation in relation to the deduction and payment over of income tax and NI contributions.

The Council employs several staff: the RFO has, as in previous years, kindly provided detail of the NJC spinal point (or hourly rate if off scale) and contracted weekly hours payable to each employee. We have noted previously the change of payroll provider from Teignbridge DC to DCK Payroll Services. As part of this year's review process, we have checked and agreed the August 2025 gross salary payments to each employee (the 2025-26 national pay award and arrears payable from 1st April 2025 being paid that month) to the RFO's schedule by reference to that month's payslips.

We have also verified the appropriate application of HMRC tax and NI tables, together with the LG Pension Fund revised contribution bandings applicable from 1st April 2025.

We again note that certain officers work overtime and are paid accordingly based on the weekly timesheet detail of total hours worked: we have reviewed the relevant timesheets supporting the August 2025 salary payments again also noting that the supporting records are checked and certified accordingly confirming that the overtime was necessarily worked and is appropriate for payment.

Conclusions

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

Fixed Asset Registers

The Practitioner's Guide requires all councils to maintain a record of all assets owned. We have recorded previously that the register, in its present state, identified assets in groups at a very high level and should, in line with best practice identify greater specific detail for each Council owned asset. We have reviewed the asset register noting that the new acquisitions in 2025-26 have been added to the register at net cost with no issues arising in that respect this year.

Conclusions

No residual uncleared issues arise in this area this year.

Investments and Loans

As indicated earlier in this report, the Council has placed surplus funds in a deposit account with the CCLA PSDF, earning interest monthly which is credited directly to the Lloyds current account. We have checked to ensure that the earned monthly interest during the financial year has been credited to the Lloyds account and been recorded as earned interest in the Scribe accounts. No issues arise in this area.

We have also checked and agreed the two half-yearly PWLB repayments for the year to their invoices as part of our previously referenced expenditure review with no issues arising. We have also, at this final review visit, agreed the year-end residual loan liability to the UK Debt Agency confirmatory advice note of the balance repayable at that date also ensuring its accurate reporting in the AGAR at Section 2, Box 10.

Conclusions

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

Statement of Accounts / AGAR

The Accounts and Audit Regulations, as amended periodically, require all councils to prepare annually a Statement of Accounts, now in the form of the AGAR, which, together with the Annual Governance Statement, is subject to independent external audit examination and certification.

As part of our review process, we have examined the Council's procedures in relation to the identification of detail for inclusion in the AGAR, which for most values is generated automatically by the Scribe accounting software and duly verified the accuracy of that detail.

Conclusions

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

Rec. No	Recommendation	Response
Maintenance of Accounting Records and Bank Reconciliations		
R1	The software supplier's assistance should be sought to ensure that the accounts are effectively balanced with the CCLA PSDF and petty cash account balances appropriately recorded as part on the year's opening balances.	***This has been actioned accordingly.***
Budgetary Control and Reserves		
R2	Consideration should be given to recording income values in the annual Scribe budget report detail to afford a more transparent record of actual performance against the anticipated income.	***This has been actioned accordingly.***
Review of Income		
R3	An effective system of recording room bookings at the Museum should be implemented, together with more comprehensive records maintained affording a clear audit trail, as detailed in the body of the report.	
R4	An effective cross-referencing system should also be introduced with sequentially numbered invoices raised, rather than the use of a date as the invoice reference number.	
R5	Prepared invoices should be retained on file in sequential order for audit inspection, ideally with a corner of the invoice cut off on receipt of payment and the date of payment duly recorded thereon.	***Invoices are filed sequentially in date order.***
R6	A more transparent and formally recorded policy on "free" hires and those to be charged at 50% should be determined and published to avoid any potential queries as to why certain hirers pay no fees and some are charged at 50%.	