

Annual Internal Audit Report 2025/26

Birchwood Town Council

birchwoodtowncouncil.gov.uk

During the financial year ended 31 March 2026, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2025/26 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

KEY: IA = Internal Audit

Internal control objective	Yes	No*	Not covered**
	A. Appropriate accounting records have been properly kept throughout the financial year.	✓	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		✓	see IA reports
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Cash payments were properly supported by receipts, all cash expenditure was approved and VAT appropriately accounted for.	✓		
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic bank account reconciliations were properly carried out during the year.	✓		
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	✓		
K. If the authority certified itself as exempt from a limited assurance review in 2024/25, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2024/25 AGAR tick "not covered")	N/A		✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		except for issue 3 in IA reports
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2025/26 AGAR period, were public rights in relation to the 2024-25 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2024/25 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. The authority has complied with laws, regulations & proper practices relating to digital and data compliance.	✓		*See 1 below
P. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	Yes	No	Not applicable
			✓

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

Name of person who carried out the internal audit

DD/MM 03/12/2025 and 04/06/2026

JDH BUSINESS SERVICES LTD

Signature of person who carried out the internal audit

JDH Business Services Ltd

Date

06/06/2026

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).



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Birchwood Town Council Response to the Internal Audit Report for Year End Financial Year 31 March 2026

Agreed at Full Council meeting held on 23 June 2026

Internal Audit Overview

The Council's internal audit is normally undertaken by John Henry of JDH Business Services Ltd. For the 2025/26 year end audit, the work was carried out by Sharon Jones, a member of the JDH audit team.

The audit was conducted remotely, based on information uploaded to the JDH portal and the completion of the annual internal audit questionnaire.

The AGAR Internal Audit Report was signed off by John Henry on 6 June 2026, and a detailed supporting report was provided.

JDH's reporting style is that the internal auditor prepares a written report only on the issues identified, and does not document all tests performed or areas where controls are operating effectively. As a result, the detailed report can sometimes be perceived as negative, as it does not set out the full range of internal control objectives reviewed or the areas where no issues were found.

A new internal control objective, Objective O – Digital and Data Compliance, was introduced this year. The internal auditor confirmed that the Council complies with this requirement but applied a red disclaimer stamp stating: "*scope limited to appropriate policies and council owned domain and email addresses in place*". This reflects the limited scope of the review.

The single 'No' response on the AGAR relates to the risk assessment, which is addressed within the management responses.

Council Responses

Issue 1 – No risk assessment in place.

Response: The Council will ensure that this is in place for 2026/2027 financial year and reviewed earlier in the year. The last review was carried out in March 2024. The councils RFO suddenly passed away in January 2026 and due to the change in role, this was not considered at the March 2025 meeting.

Issue 2a – Payroll & Expenses Review

Response: The Council acknowledges the internal audit finding regarding the absence of the Chair's signed authorisation statement for the payroll changes notified in March 2026.

In this case, the payroll amendment related to the appointment of the Locum Town Clerk/RFO, whose contract of employment had already been formally approved by the Council. At the time, the substantive Town Clerk was on sick leave, but returned temporarily to process the payroll. The Town Clerk informed the payroll agent of the new starter details on the basis of the signed and Council approved contract, ensuring that the correct pay arrangements were implemented.

It is accepted that although the contractual approval was in place, the additional internal control requiring the Chair's signed confirmation with the relevant meeting date and minute reference was not completed. This control will be fully reinstated. All future material changes to grades, pay scales, or new starters will be accompanied by the Chair's signed authorisation before instructions are issued to the payroll agent.

Issue 2b – Pay Grading Changes

Response: The Council accepts the recommendation. Work to update the existing written statements of employment particulars into full employment contracts is already underway. This is due to be reviewed by the Personnel Committee at its meeting on 23 June. The remaining contracts will be completed during 2026 to ensure all staff have up to date and compliant documentation.

Issue 2c – NJC Pay Point

Response: The Council accepts the recommendation. The small variance identified arose because the payroll agent applied the percentage NJC increase without being provided with the exact spinal column point rate to the nearest penny. To address this, the Council will:

- Confirm correct NJC pay point for the employee concerned
- Issue a confirmatory letter to the employee setting out the correct pay point
- Provide the payroll agent with the updated NJC pay scales each year following the annual pay award
- These steps will ensure that all NJC rates are applied accurately and in line with the published national scales.

Issue 2d – Expense Claim Forms

Response: The Council accepts the recommendation. The two mileage and expense claims identified did not contain a wet signature in the "*received and approved by*" section, meaning the individual forms did not show physical evidence of verification. Mileage and expense claims are pre-authorised within the employee's contract of employment, which specifies reimbursement at the HMRC-approved mileage rate. Each mileage claim form sets out the start and end points of each journey, including postcodes, to evidence the calculation.

For the period reviewed, the March payroll was processed by the Town Clerk, who had returned briefly from sick leave to ensure payroll could be completed. Due to the time pressures involved, the March payroll was rushed, and an underclaim was subsequently identified. This was corrected and processed in the April payroll.

Each month, the Chairman reviews all payroll reports, payslips, and associated documentation as part of the monthly verification process. In addition, the payroll summary which includes all mileage and expense claims is:

- Checked and signed by the Chairman
- Reported to Full Council

However, the Council accepts that the individual claim forms themselves require a wet signature in the “*received and approved by*” section to complete the audit trail. This requirement will now be reinstated and applied consistently to all future claims.

Issue 3 – Council Minutes

Response: The Council accepts the recommendation. The minutes for the Finance, Audit & Personnel Committee meeting of 27 January 2026 and the Town Council meeting of 17 February 2026 were not published on the Council’s website at the time of the audit review.

Historically, the Council did not publish Part 2 (confidential) minutes, following previous management advice that these should be withheld in full. This practice continued, and both of the meetings referenced included confidential items within the minutes. As a result, the minutes were not uploaded to the website.

Since the Locum Clerk commenced their role at the end of February, this issue was immediately identified. The Council has now adopted the correct approach: all minutes are published, with any confidential information held in a separate record rather than withholding the entire document.

The two sets of minutes have now been published on the website:

- The 27 January 2026 minutes have been redacted where necessary to remove personal data relating to staffing matters.
- The 17 February 2026 minutes referred to the Locum Clerk’s appointment; the Locum Clerk has confirmed they have no objection to publication, and these minutes have been uploaded in full.

The Council will ensure that all future approved minutes are published promptly, with confidential information recorded separately in accordance with best practice.

Issue 4 – No VAT Number recorded against the SLCC transaction

Response: The Council accepts the recommendation. The VAT 126 schedule entry for the SLCC transaction dated 04/12/2025 did not include the supplier’s VAT number. This appears to have been an isolated omission.

The previous RFO, who sadly passed away in January, was the primary user of the Scribe accounting system. At the time, the Council was in its second year of using Scribe, and it appears that the VAT number was not entered when the supplier details were originally set up. This resulted in the omission on the VAT 126 schedule.

The Council will ensure that VAT numbers are recorded for all suppliers and that the VAT 126 schedule is checked for completeness prior to submission. This process will be applied consistently to all future VAT 126 claims.



Birchwood Town Council

Internal Audit 2025/26

The internal audit of Birchwood Town Council was carried out by undertaking the following tests as specified in the AGAR Annual Return for Local Councils in England:

- Checking that books of account have been properly kept throughout the year
- Checking a sample of payments to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Review of year-end financial statements
- The authority has complied with the publication requirements for the prior year AGAR.
- The authority correctly provided for a period for the exercise of public rights for the prior year AGAR
- The authority published required information on a website up to date at the time of the internal audit in accordance with relevant legislation.
- Review of Assertion 10 (Annual Governance Statement) requirements.

The interim internal audit provides evidence to support the annual internal audit conclusion on the AGAR Annual Return for local councils.

Conclusion

The council encountered serious officer resource issues in the latter part of the financial year and had to carry out an urgent recruitment exercise to secure locum cover for the RFO/clerk role. This recruitment was successful and the final 2025/26 SCRIBE and AGAR accounts have been completed accurately and the council prime book of record, the SCRIBE ledger, is fully up to date. On the basis of the internal audit work carried out, which was limited to the tests indicated above, in our view the council's system of internal controls is in place, adequate for the purpose intended and effective, subject to the recommendations reported in the action plan overleaf. As part of the internal audit work for the next financial year we will follow up all recommendations included in the action plan.

JDH Business Services Limited

ACTION PLAN

	ISSUE	RECOMMENDATION	FOLLOW UP
2025/26 year end internal audit			
1	Full Council have not reviewed and approved an updated annual risk assessment during 2025/26.	<i>The risk assessment document must be updated and reviewed and approved by full council each financial year.</i>	
2	<p>Payroll and expenses review:</p> <p>a.) The March 2026 email to the payroll agent from the clerk includes changes to pay, including a new starter, but this did not include with the payroll analysis provided for internal audit the following signed and completed statement from the Chair of the council used in the previous year for pay changes notified in March 2025:</p> <p><i>'I,, Chair of Birchwood Town Council hereby confirm that the above changes to pay were formally ratified at the Meeting held on Minute refand, on behalf of the Council, Authorise these changes to be made effective,</i></p>	<i>The internal control whereby material changes to grades/pay scales are confirmed by the Chair and send to the payroll agent, including noting the meeting minute references, should be reinstated.</i>	

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>b.) We are informed that the upgrading of the written primary particulars of employment for a number of employees to comprehensive employment contracts is a work in progress.</p> <p>c.) Email trail information and other information provided to internal audit indicated, for example, for one employee the NJC percentage increase was notified to the agent, but that the agent was not aware of the actual NJC scale to the nearest penny or that the scale points were published. The information provided highlighted that gross pay scale for one employee is 3p per hour different to the actual scale point rate.</p> <p>d.) The ‘received and approved by’ sections of both of the expense claims below contains no signature of approval to show the expense claims have been verified:</p> <ul style="list-style-type: none"> - the locum employee expense claim covering the end March 2026 and the next month totaling £451 	<p><i>The work to establish comprehensive employment contracts from the written primary particulars of employment for specified employees should be completed as soon as practicable in 2026.</i></p> <p><i>The payroll agent should be informed of the rates and where these NJC scale rates are published in the public domain, so the rate to the nearest penny can be applied, rather than the rounded percentage to the nearest penny.</i></p> <p><i>The ‘received and approved by’ section of all mileage expense claims should be signed to evidence the claim and expense calculations have been verified and approved.</i></p>	

	ISSUE	RECOMMENDATION	FOLLOW UP
	- the expense claim of £276.21 for the same employee for February and March 2026 travel.		
3	<p>The following minutes are not published on the council website:</p> <ul style="list-style-type: none"> • Finance, audit & personnel meeting 27th January 2026 • Town council meeting 17th February 2026, 	<i>A complete set of meeting minutes should be published on the council website.</i>	
4	No VAT number is recorded against the SLCC transaction dated 04/12/25 in the VAT 126 schedule.	<i>VAT numbers should be recorded against all supplies in the VAT 126 reclaim form.</i>	
2025/26 interim internal audit			
No issues arising – a robust set of internal controls has operated during the period covered by the interim internal audit.			
2024/25 year end internal audit			
No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.			

	ISSUE	RECOMMENDATION	FOLLOW UP
2024/25 interim internal audit			
1	<p>The council currently has one overarching strategic plan entitled Birchwood Town Council Strategic Plan 2024-2028 as well as a Climate plan. However, the council does not currently link any decision making in the minutes to the aims and objectives of key strategic plans.</p>	<p><i>Where appropriate, the council should consider linking resolutions in the minutes with key aims and objectives in the current strategic plans to evidence that decision making is driven by strategic planning. This could be carried out by, for instance, ensuring reports to council with recommendations in the agenda documents link to strategic objectives.</i></p>	Implemented
2	<p>Procurement – feedback for the interim internal audit indicated the council only received one quote for a high value lighting contract after a valid process seeking quotations from providers:</p>	<p><i>The council should review whether there are further methods that could be implemented to reach a wider number of the providers for its services to ensure effective market testing is carried out for high value contracts. The council could also consider commencing procurement exercises earlier to give providers optimal time to consider whether to tender and for completion of the tender documents.</i></p>	Noted by council

	ISSUE	RECOMMENDATION	FOLLOW UP
2023/24 year end internal audit			
1	<p>The draft accounts presented for internal audit were incorrect as follows:</p> <ul style="list-style-type: none"> - The ‘balances carried forward’ and ‘other payments’ in the AGAR were incorrect as the balances per the bank reconciliation had been inserted in box 7. and payments instead of expenditure in box 6. - The supporting analysis to expenditure was incorrect as the total included payments, rather than expenditure as adjusted via the extended trial balance. 	<p><i>The year end accounts preparation should be subject to a review before finalising the AGAR figures to ensure the audit trail is accurate from the receipts and payments accounts through to the extended trial balance, the balance sheet and the income and expenditure accounts.</i></p> <p><i>NB The draft account were amended to include the corrected figures in the final AGAR accounts.</i></p>	Implemented
2023/24 interim internal audit			
1	<p>We could not identify the following information published on the council website as prescribed in the Transparency Code:</p> <p><i>PUBLICATION 32. Local authorities must also publish details of any contract,</i></p>	<p><i>The council should ensure the website is maintained up to date and that it complies fully with the publication requirements of the Local Authority Transparency Code 2015.</i></p>	2024/25 follow up - Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p><i>commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. For each contract, the following details must be published:</i></p> <ul style="list-style-type: none"> - <i>reference number</i> - <i>title of agreement</i> - <i>LA department responsible</i> - <i>description of the goods and/or services being provided</i> - <i>supplier name and details</i> - <i>sum to be paid over the length of the contract or the estimated annual spending or budget for the contract</i> - <i>Value Added Tax that cannot be recovered</i> - <i>start, end and review dates</i> - <i>whether or not the contract was the result of an invitation to quote or a published invitation to tender, and</i> - <i>whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number</i> 		
2	The council purchased a tipper truck which was just below the tendering threshold but above the requirements for three quotations in the Financial	<i>Minutes should record exemption(s) relied upon in the Financial Regulations where standard required procurement procedures have not been applied. If no</i>	2024/25 follow up – no further issues regarding use of exemptions from procurement in the Financial

	ISSUE	RECOMMENDATION	FOLLOW UP
	Regulations. However, the procurement was not underpinned by three quotations as required by the Financial Regulations where no exemption has been applied and the minutes do not reference which exemption(s) in the Financial Regulations have been applied.	<i>exemptions are relied upon then the standard contracting requirements of the Financial Regulations should be applied.</i>	Regulations identified in 2024/25 interim internal audit.
3	We note there was no formal adopted budget timetable in place evidencing the key milestones leading to the agreement of the 2023/24 precept request for the year and approval of the annual budget.	<i>A comprehensive formal budget timetable should be established annually covering the main elements of the Council's budget setting process together with key dates and responsibilities.</i> <i>NB The council is already addressing this issue with the adoption of a formal timetable for the 2024/25 precept and budget setting process.</i>	Implemented
2022/23 year end internal audit			
No further issues arising – a robust set of year end records have been maintained with a comprehensive audit trail to supporting information.			

	ISSUE	RECOMMENDATION	FOLLOW UP
2022/23 interim internal audit			
1	<p>A review of governance and policies identified that the following were not in place at the time of the interim internal audit:</p> <ul style="list-style-type: none"> • Investment Strategy and Treasury Management strategy • Expenses Policy • Income Collection / Debts Write Off policy • Gifts and Hospitality policy 	<i>None - The council has already resolved to address these policy/strategy gaps at the January 2023 meeting.</i>	Implemented
2	Pay rises are notified to the payroll agent via an email from officers.	<i>The Chair should email the annual officer pay rise information to the payroll agent.</i>	Implemented
2021/22 year end internal audit			
1	The council did not evidence whether it carried out an annual physical verification of fixed assets recorded in	<i>The Financial Regulations for fixed assets should be complied with and evidence should be retained for the</i>	Implemented

	ISSUE	RECOMMENDATION	FOLLOW UP
	<p>the asset register as required by the following Financial Regulation:</p> <p>14.6. The continued existence of tangible assets shown in the (Asset) Register shall be verified at least annually, possibly in conjunction with a health and safety inspection of assets.’</p>	<p><i>annual asset verification check for audit purposes.</i></p>	
2021/22 interim internal audit			
1	<p>Sample testing of payments identified that quotations for contracts as required by the Financial Regulations are not centrally held in a quotations file. As a result for some sample items individual searches of electronic/manual information were required to identify the relevant documentation.</p>	<p><i>A separate file should be maintained to evidence all contract procurement market testing exercises.</i></p>	<p>Implemented an electronic and hard copy quotations folder is now maintained.</p>