

# *Public Sector Audit*

## Messingham Parish Council

### *Internal Audit Report for the year ended 31 March 2024*

*Public Sector Audit*

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### **Internal Audit Report for the year ended 31 March 2024**

#### Introduction

Part 2, paragraph 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on Local Councils to “undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council's activities and operating procedures are effective.

At the request of the council I have conducted an Internal Audit review of the council's accounting records in respect of the financial year ended 31 March 2024. I have acted independently and, on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in place during the financial year.

The audit has been carried out in accordance with the council's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions and recommendations have been recorded in the table below.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The cash book presented to audit has been maintained on a combined receipts and payments spread sheet. Both income and payments have been numbered and cross referenced to supporting evidence and the method of payment (DD, online, cheque and Debit Card) is noted.</p> <ul style="list-style-type: none"> <li>➤ It is noted that the council commenced the year using a computerised accounting system provided by Rialtas Business Solutions Ltd. During the year, however, it was decided to revert to the spreadsheets to provide all the information required by the Clerk and the council. The whole of the year's transactions have been recorded on a spreadsheet. These have been used for the purpose of the 2023/24 Internal Audit and to provide the information required by the External Auditor.</li> </ul> <p>It is comprehensively analysed to provide the information required for the Annual Governance and Accountability Return (AGAR).</p> <p>A year-end bank reconciliation and four interim reconciliations, which include both of the council's bank accounts, have been undertaken during the year.</p>
2	Have the council's Financial Regulations and Standing Orders been formally adopted and complied with?	<p><u>Adherence to Financial Regulations and Standing Orders</u></p> <p><b>Findings</b></p> <p>The council reviewed and approved its Standing Orders and Financial Regulations at the meeting held on the 15th May 2023. On the 8th April 2024 the council resolved to adopt the revised procurement threshold for public contracts. It was acknowledged that the thresholds also require amendment in Financial Regulations but, as a new NALC model was expected during the current financial year, it was agreed to wait until this is received.</p>

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested a large sample of payments made by the council including all high value invoices. All of the invoices tested have been authorised and agree to the minutes and cash book.</p> <p>I have reviewed the payments for completeness, accuracy, the correct year of account and classification within the accounts. All accounts tested have been accurately accounted for.</p> <p>The Clerk maintains a register of quotations sought and awarded for goods and services and it is noted that tenders have been invited in accordance with Financial Regulations.</p> <p>I have checked that VAT has been correctly identified and recorded in the cash book and the VAT reclaim for 2023/24 correctly reflects the cash book analysis.</p> <p>A separate account has been established for s.137 and the total expenditure in the year is £8,008.37. The expenditure is appropriate for this statutory power and is well within the annual statutory limit.</p> <p>Two Council Members have authorised all payments on the invoices and payment schedules, thus satisfying the principle that two councillors should be involved in all payments made by the council.</p> <p>Three cheques have been issued during the year and the cheque stubs have been initialled by both signatories to signify the agreement of the stub with the details on the cheque and the documentary evidence seen in support of the cheque at the time of signature.</p> <p>It is noted that the council has introduced the use of a Debit card for the purchase of higher value sundry items. A formal Debit card Policy has been agreed by the council and the Clerk has signed an agreement to confirm compliance with the terms of use specified by the council.</p>
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On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.

- The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.
- Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.
- NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.

**Recommendation**

- The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.

<p>4</p>	<p>Has the council assessed the significant risks in delivering its activities and services and regularly reviewed the adequacy of these assessments?</p> <p>Is insurance cover appropriate and adequate?</p> <p>Are financial controls documented and regularly reviewed?</p>	<p><u>Assessment of significant risks</u></p> <p><b>Findings</b></p> <p>The annual review of the council's Risk Assessments was reviewed by council on the 11th March 2024; it was resolved to approve the proposed amendments to the Risk Assessments. The Risk Assessments include financial and governance management, employment of staff, the Clerk's office, Councillors, land and assets, employees and volunteers, Covid, contractors and events.</p> <p>Additional Risk Assessments include the Community Hub, Horticultural Show, the car park, handyman, MUGA and play area and Remembrance Sunday. It is noted that the council has an emergency lighting annual service contract for the Hub. The Hub Risk Assessment identifies that annual PAT testing is undertaken. A Fire Risk Assessment &amp; Evacuation procedures are also in place.</p> <p>It is noted that Chubb Fire &amp; Security Ltd undertake an annual inspection of the intruder alarm, fire extinguishers and the emergency lighting system at the Community Hub. Annual PAT testing is also undertaken.</p> <p>The MUGA and Play Area Attendant's monthly time sheet also incorporates a checklist that confirms weekly visual inspections and notes any issues that have arisen.</p> <p>The Clerk maintains a schedule of all inspections that are undertaken. It identifies the type of inspections, who carries them out, the frequency of such inspections, when they were last carried out and when they are next due to be done. Detailed inspection sheets, in respect of council assets and liabilities, are completed and identify what has been checked and any issues arising. They include provision for recording the actions taken by the Clerk as a result of any faults identified, and the date of completion of such actions. The sheets are reviewed by the Clerk and maintained as a permanent record. This is considered to be best practice to ensure public and general safety and to protect the council's interests in the event of an issue arising or a claim against the council.</p>
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		<p>The council also has a Service Level Agreement with North Lincolnshire Council to undertake two inspections of the playground and equipment during the year.</p> <p>The council's contracted handyman service undertakes weekly inspections of the car park, Village Hall, Orchard Close and Holme Meadow Field. Monthly checks of the Play Area and the Kealholme road open area are also undertaken as well as a quarterly check of the memorial site.</p> <p>The council updated its guide (Clerk Guide A - Z) to financial and governance procedures, that are undertaken throughout the year and at the year-end, during April 2024. Such a document is considered to be best practice and invaluable in the event of the unexpected absence of the Clerk.</p> <p>I have reviewed the council's insurance cover and the levels of indemnity are considered to be adequate.</p> <p>The council's arrangements for the backing up of electronic records have been reviewed and are adequate. All files are backed up to Microsoft One Drive. The council's laptop computer is protected by a PIN number and secured by a combination lock security cable. HMRC Basic Tools electronic records are backed up to a memory flash drive which is also encrypted and maintained in a secure location.</p>
5	<p>Has the annual precept requirement resulted from an adequate budgetary process?</p> <p>Has progress against budget been regularly monitored and reported and were reserves appropriate?</p>	<p><u>Adequate budgetary process</u></p> <p><b>Findings</b></p> <p>A detailed annual budget was prepared and adopted in setting the 2023/24 Precept.</p> <p>Budget monitoring reports were presented to council up to the 30th June, 30th September - and 20th November 2023 for budget setting purposes - and to the 31st January and 31st March 2024. The reports identify the principal variances between original budget and income and expenditure to date. A detailed narrative for the principal variances is provided to council by the Clerk.</p> <p>The council adopted a Financial Reserves Policy at the council meeting held on the 14th May 2018. The Policy is updated annually to include the council's earmarked and general reserves and was last agreed at the</p>



		council meeting held on the 8th April 2024. It was resolved to approve the council's earmarked reserves in respect of the War Memorial, allotments, play area, a speed indicator sign and two other projects. The council's total balances as at the 31st March 2024 were £72,540, and the general balance remaining, after the allocation of earmarked reserves, was £41,205. This represents 59% of the 2024/25 Precept and is considered to be adequate for a council the size of Messingham Parish Council.
6	<p>Was all expected income fully received in accordance with the current scale of charges, properly accounted for and promptly banked?</p> <p>Were security controls over cash and cash equivalents effective?</p>	<p><u>Adequate income controls</u></p> <p><b>Findings</b></p> <p>The Council Tax Authority's Precept was received in two instalments and the remittance advices agree to the income received in the cash book and the bank.</p> <p>The council now maintains four Scales of Charges:</p> <ul style="list-style-type: none"> <li>➤ Holme Meadow recreation field - reviewed and approved by the council on the 13th November 2023.</li> <li>➤ Butterwick Road allotments - Approved by the Allotment Advisory Committee on the 6th March 2023 and re-reviewed and amended on the 11th March 2024.</li> <li>➤ Miscellaneous - covering photocopying for Freedom of Information requests and the sale of history books - approved by council on the 13th March 2023 and re-reviewed on the 11th March 2024.</li> <li>➤ Community Hub - approved at the meeting on the 12th June 2023.</li> </ul> <p>I have checked and agreed a sample of Allotment rents from the rent collection record to the Scale of Charges, the cash book and the bank. The total of the register has been reconciled by the Clerk to the total rents received per the cash book, by adjusting the total of the register for terminations, overpayments, and new tenants during the year.</p> <ul style="list-style-type: none"> <li>➤ It is noted that the charge the council makes in respect of allotment deposits is now formally recorded on the 1st April 2024 Scale of Charges.</li> </ul> <p>The council also received income from two insurance claims, A Coronation grant and Council Tax grant, wayleaves, a VAT repayment from HMRC, rent, the Horticultural show, the Community Hub, miscellaneous, debit card cash back and bank interest. Documentary evidence in support of other income received during the</p>

		<p>year has been agreed to the cash book. The Clerk correctly used a separate spreadsheet for receipts and payments in respect of the Horticultural Show. It identifies all receipts and payments, cash paid into the bank and the net amount gifted to Lindsey Lodge Hospice.</p> <p>The safekeeping of cash prior to banking has been reviewed; it was found to be adequate and income was banked without undue delay.</p>
7	<p>Were petty cash payments appropriate and supported by receipts?</p> <p>Was all expenditure approved and reported to members?</p> <p>Has VAT been correctly accounted for?</p>	<p><u>Appropriate petty cash controls</u></p> <p><b>Findings</b></p> <p>A separate petty cash system is not maintained. All petty disbursements made by the Clerk and Council Members are reclaimed monthly and reimbursed through the payments system.</p> <p>The VAT element of expenditure has been separately analysed and identified in the cash book. For the sample checked, VAT has been correctly identified in the cash book for reclaim from HMRC.</p> <p>Petty disbursements are reported to council monthly together with all other council payments.</p>
8	<p>Do all employees have contracts of employment with clear terms and conditions?</p> <p>Are salaries to employees and all other payments and allowances paid in accordance with council approvals?</p> <p>Has PAYE and NI been correctly deducted and paid to HMRC?</p>	<p><u>Adequate payroll controls</u></p> <p><b>Findings</b></p> <p>The council's Clerk and the former and present MUGA and Play Area Attendants have formal contracts of employment which contain clear terms and conditions.</p> <p>I have agreed all gross pay during the year to original contracts and subsequent changes in terms and conditions that have been authorised by the council and the 2023/24 NJC pay settlement, including back pay dating from the 1st April 2023.</p> <p>Employees have been subject to PAYE and NI regulations and, for the sample checked, statutory deductions have been correctly paid to HMRC.</p>

9	<p>Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?</p>	<p><u>Appropriate recording of assets</u></p> <p><b>Findings</b></p> <p>The council maintains a Schedule of Assets in the recommended format. For each asset it identifies the date acquired, the valuation for the purpose of the AGAR, the custodian and details of any disposals.</p> <p>The schedule has been updated to reflect an addition and a deletion during the year. The laptop computer purchased during the year has been added to the register using the correct method of valuation. The council does not hold any investments.</p> <p>The council reviewed and approved the Asset Register on the 11th March 2024.</p>
10	<p>Were bank reconciliations performed on a regular and timely basis?</p> <p>Has a year-end reconciliation been performed and balanced?</p> <p>Have all bank reconciliations been reviewed by an appointed member and evidenced as such?</p>	<p><u>Adequate bank reconciliations</u></p> <p><b>Findings</b></p> <p>In addition to the year-end reconciliation, four interim bank reconciliations were prepared during the year. They include both of the council's Virgin bank accounts and a Charity bank account that was opened in January 2024.</p> <p>All reconciliations have been prepared in the recommended format.</p> <p>There are no unexplained balancing entries in the reconciliations.</p> <p>All reconciliations have been approved by council and signed and dated as prepared by the Clerk and signed and dated as approved by the Chairman. It is noted that the Chairman also now signs against the month-end balances on the respective bank statements to confirm the reconciliations are in agreement with statements. This is a key internal control process and considered to be best practice.</p>

11	<p>Were Accounting statements 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, were debtors and creditors properly recorded?</p> <p>Has the previous Internal Audit Report been submitted to council and actioned as necessary?</p>	<p><u>Correct accounting basis and previous Internal Audit Report actioned</u></p> <p><b>Findings</b></p> <p>The year-end statements have been prepared on the correct accounting basis (Receipts and Payments) and, therefore, debtors and creditors have not been included.</p> <p>The statements agree with the cashbook and there is an audit trail from underlying financial records to the year-end statements.</p> <p>The figure in box 8, bank balances, agrees to the year-end bank reconciliation statement and the figure in box 9, fixed assets, agrees with the year-end total on the Asset Register.</p> <p>The 2022/23 Internal Audit Report was presented to council on the 15th May 2023 and it was resolved to adopt the agreed actions and approve the audit.</p>
12	<p>If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?</p>	<p><u>Exemption Certificate</u></p> <p><b>Findings</b></p> <p>The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	<p>Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?</p>	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b></p> <p>I have confirmed by a review of the council's website that, during the summer of 2023, the council provided the correct period for the exercise of public rights, in accordance with the requirements of the 2015 Accounts and Audit Regulations.</p>

14	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> <b>Findings</b> I have reviewed the council's website and confirmed that the Parish Council published the correct documents as required by the Accounts and Audit Regulations 2015.
15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> <b>Findings</b> I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.

## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the assistance of the Clerk of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the only advisory note confirms the updating of the legal position in relation to funding the affairs of the Church.

The Internal Audit has been conducted in accordance with the Governance and Accountability for Local Councils – Practitioners Guide 2024.

I confirm that I have no relationship or interest, financial or otherwise, with any member or officer of the council.

Richard Dixon

*Public Sector Audit*

3<sup>rd</sup> May 2024

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