

Public Sector Audit

Messingham Parish Council

Internal Audit Report for the year ended 31 March 2025

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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 2025. 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.

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>Findings</p> <p>The cash book presented to audit has been well 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) has been recorded.</p> <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 have been undertaken during the year.</p>	Page 4
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>Findings</p> <p>The council reviewed and approved its Standing Orders on the 8th April 2024. During 2024 NALC released updated Model Financial Regulations and these were adapted to the council's requirements and adopted at the council meeting held on the 8th July 2024.</p> <p>At the end of the financial year, both Standing Orders and Financial Regulations reflected the latest NALC Models. During April 2025, however, NALC updated its Model Standing Orders for Local Councils to adopt.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council should review and adopt NALC's updated 2025 Standing Orders which comply with new procurement legislation and ensure consistency with the latest Model Financial Regulations 	

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>Findings</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. The new changing facilities project were advertised on the Contract Finder website and four tenders were received. The tenders were provided to audit for review and verification.</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 previous year's cash book analysis. Owing to the high value of VAT incurred in the construction of the new changing rooms, four additional VAT reclaims have been submitted covering the Quantity Surveyor's Valuation Certificates to the end of the financial year. All four claims have been re-paid the council by HMRC.</p> <p>A separate account has been established for s.137 and the total expenditure in the year is £7,175.99. 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>
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4	<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>Findings</p> <p>The council's Risk Assessments were reviewed by council on the 10th March 2025. It was resolved to approve the proposed amendments to the Risk Assessments covering Holme Meadow Recreation Field, Car Park, Community Hub and the new Speed Indicator Device.</p> <p>Additional Risk Assessments include the Community Hub, Horticultural Show, the car park, handyman, grit bins, Kealholme open space, MUGA and play area, benches, War Memorial 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 & Evacuation procedures are also in place.</p> <p>Chubb Fire & 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 by NLC.</p> <p>The MUGA and Play Area Attendant's monthly time sheet also incorporates a checklist that confirms daily visual inspections and notes any issues that have arisen.</p> <p>The Clerk maintains an inspection calendar for 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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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>Findings</p> <p>A detailed annual budget was prepared and adopted in setting the 2024/25 Precept.</p> <p>Budget monitoring reports were presented to council up to the 30th June, 30th September - and 17th November 2024 for budget setting purposes - and to the 31st January and 31st March 2025. 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 council meeting held on the 14th April 2025. It was resolved to approve the council's earmarked reserves, totalling £25,096, as detailed in section 6.2 of the updated Financial Reserves Policy. The council's total balances as at the 31st March 2025 were £62,761, and the general balance remaining, after the allocation of</p>

		earmarked reserves, is £37,665. This represents 50% of the 2025/26 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>Findings</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 maintains four Scales of Charges:</p> <ul style="list-style-type: none"> ➤ Holme Meadow recreation field - reviewed and approved by the council on the 10th March 2025. ➤ Butterwick Road allotments - approved by the council on the 10th March 2025. ➤ Miscellaneous - covering photocopying for Freedom of Information requests and the sale of history books - approved by council on the 10th March 2025. ➤ Community Hub - approved at the council meeting on the 10th June 2024. <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> <p>The council also received income in respect of a newbuild grant, a Council Tax grant, an In Bloom grant, wayleaves, a VAT repayment from HMRC, land and ground 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 year has been agreed to the cash book. The Clerk has provided 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>Findings 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>Findings Both of the council's employees 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 2024/25 NJC pay settlement, including back pay from the 1st April 2024.</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>Findings 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>Assets purchased during the year have been added to the register using the correct valuation method. It is noted that the cost of the new changing facilities will be added to the register during the current financial year in accordance with the External Auditor's guidance.</p>

		<p>It is noted that a laptop purchased during the year has not been added to the council's Asset Register. The net cost was £123.33 and, in accordance with minute 1714 224b of the 13th March 2023, the asset has not been added as the cost was less than the £125 de minimus limit for additions to the register. The asset is, however, small, portable and an "attractive" item from a theft/loss point of view.</p> <p>The council does not hold any investments.</p> <p>The council reviewed and approved the Asset Register on the 10th March 2025.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The council may wish to consider making an exception to minute 1714 224b of the 13th March 2023 and add the Asus laptop to the Asset Register to identify the council's ownership of the asset.
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>Findings</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 an account held at The Charity Bank Limited.</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>Findings</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 2024/25 Internal Audit Report was presented to council on the 13th May 2024 and it was resolved to approve and accept the Internal 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>Findings</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>Findings</p> <p>I have confirmed by a review of the council's website that, during the summer of 2024, 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	<p>Did the council comply with the publication requirements for the previous year's AGAR?</p>	<p><u>Publication Requirements</u></p> <p>Findings</p> <p>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.</p>

15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> Findings I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.
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Executive Summary

The accounts and governance arrangements of the council have again been maintained to a very high standard and the assistance of the Clerk during the audit was very much appreciated. Page | 13

The internal financial control environment within the council is excellent. The only recommendation covers the newly released Model Standing Orders and an advisory note relates to the addition of the council's additional laptop to the Asset Register, if the council so wishes.

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

22nd April 2025

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