

MESSING CUM INWORTH PARISH COUNCIL INTERNAL AUDIT 2021/22

A Proper Bookkeeping

- Is the cash book maintained and up to date?
The cash book is an excel spreadsheet comprising several worksheets. There is a tab for each month to record individual receipts and payments from the current account and a Reserve Account tab to record transactions on the Savings Account. A Monthly Summary Sheet has columns for each month to summarise receipts and payments by type, picking up totals from the monthly tabs and building a year-to-date total in column O. The totals for the year from the Monthly Summary Sheet are used to create the Budget Summary, EOY Summary and Annual Return worksheets. There are also quarterly bank reconciliation worksheets.
- Is the cash book arithmetic correct?
Excel formulae are used to generate totals and to pick up totals from relevant worksheets within the spreadsheet to avoid transcription errors. Care needs to be taken to ensure that returned cheques, and refunds cancel out the original entry, rather than artificially inflating both income and expenditure.
- Is the cash book regularly balanced?
Yes, controlled by formulae

B Financial Regulations

- Has the council formally adopted standing orders and financial regulations?
Yes. Standing Orders and Financial Regs approved at meeting 25 May 2021 (minute 013/21).
- Has the council adopted other policies?
Yes. Code of Conduct re-adopted at meeting 25 May 2021 (minute 013/21). Policies are published on the website [Policies & Procedures – Messing and Inworth Parish Council \(messinginworth.org\)](http://messinginworth.org)
- Has a Responsible Financial Officer been appointed with specified duties?
A locum clerk/RFO is in post. She is also clerk/RFO for another council. The council is invoicing Messing PC for her service under a secondment arrangement.
- Have items or services above a de minimis amount been competitively purchased?
Financial Regulations (4.1) specify clerk, in conjunction with chairman, can approve up to £500 (4.1); and (11.1h) 3 estimates for amounts £100 to £3000; 3 quotes for amounts £3000 to £25,000 and competitive tendering for over £25,000. This is consistent with the £25,000 in section 18 of the model SO. Contracts Finder website must be used for all tenders over £25,000 (11.1b). During year, quotes obtained for fence repairs (minute 20/199), grass cutting (minute 20/200, 023/21, 041/21), community orchard work (minute 041/21), laptop and phone (minute 052/21), swing (minute 053/21, 127/21), new path at orchard (minute 130/21, 156/22) which is the only payment in the year that exceeds £3000.
- Are payments in the cash book supported by invoices, authorised and minuted?
Yes. Finance item in the Minutes includes section to approve payments. In April 2021 the amounts approved are listed and totalled. There are no payments in May 2021 and from June 2021 onwards, the clerk prepares a monthly 'payments for approval' list with is approved by no payments are listed or appended to the minutes. To comply with the Transparency code for small councils, the payments should be published in some form. The payments lists on file have columns for date paid, how paid, payee, net, VAT, Gross, Detail, budget section, legal power

and space for 2 councillors to initial as evidence of scrutiny. The payments list is circulated with the agenda. It is taken to the meeting with the source documents: last minute payments are handwritten onto the list. The 2 signatories initial the list, the source documents and the cheque stub. Cheque number is written on the invoice. Payments were made online in February and March with the clerk as one signatory and only one councillor needed to authorise payment. In April 2022 Barclays Bank cancelled the clerk's online authorisation. Rather than one of the councillors setting up the online payment, the council reverted back to payments by cheque.

- Has VAT on payments been identified, recorded and reclaimed?
No VAT reclaims have been received in 2021/22. VAT on 2021/22 Payments is recorded in various lines in the Monthly summary of the cash book (lines 23, 32, 38, 43) and totals £1738.13. VAT reclaim due from previous years totals £1251.10 (£862.10 + £389.00). A VAT claim was submitted for £3738.13 which includes all these amounts plus VAT on payments between 01/04/22 and 07/05/22.
- Is s137 expenditure separately recorded and within statutory limits?
No s137 expenditure in 2021/22.

C Risk Management

- Does a scan of the minutes identify any unusual activity?
Change of clerk (minutes 20/191, 001/21, 042/21) and unable to recruit (minute 059/21, 076/21, 114/21), Vacancies and co-option (minutes 059/21, 132/21); Agreement of roles and responsibilities with the Allotment Association (minutes 075/21, 098/21), Parish Plan (minutes 115/21, 148/22).
- Do the minutes record the council carrying out a risk assessment?
No. The Risk Assessments was last reviewed on 21 July 2020 (minutes 20/11, 20/12).
- Is insurance cover appropriate and adequate?
Yes. New policy with AXA renewed 31/10/21. Cover is for Property Damage, Business Interruption, Money and Personal Accident Assault, Group personal Accident, Employer's liability, Public and Products liability, selected all risks, official's indemnity, employment practices liability, legal expenses. The adequacy of property damage cover is included in section H of this report.
- Are internal financial controls documented and regularly reviewed?
Minutes record that bank reconciliations and actual payments against budget are scrutinised quarterly (minute 069/21, 109/21, 142/22). Source documents and payments lists are initialled as evidence of scrutiny. *Controls over payments to HMRC (re April and May salary) and VAT reclaims seem to rest solely with the clerk, as do controls over collection of income re allotments. These are areas where internal controls could be strengthened with councillor involvement.* Other financial risks are low as no cash is handled.
- Are all risks identified and actions undertaken to mitigate risks?
The risk assessment describes the risks and has columns for 'measures taken' and 'recommended reviews/actions'. *It is comprehensive as a printed document but it does not accurately reflect all the measures that are actually in place and, as stated last year, it would benefit from inclusion of risks and mitigating actions relating to internal controls, loss of key staff, business continuity and delays in changes to bank mandate and bank processes.* Minutes show that the following mitigating actions are being undertaken: tree survey and resulting actions (minute 20/179), maintenance schedule in place for assets (minute 075/21), tree works (minute

113/21), weekly play inspections (minute 146/22), ROSPA inspection (minute 168/22), impact of increase in precept (minute 179/22).

D Budgetary Controls

- Has the council prepared an annual budget in support of its precept?
Yes. Options discussed at meeting 7 December 2021 (minute 126/21) and at an informal meeting on 6 January 2022. The 2022/23 budget of £26805 was agreed at the meeting 2 Feb 2022 (minute 155/22), and a precept of £21,050.
- Is actual expenditure against the budget reported to the council?
Yes. Actual expenditure against budget is reviewed quarterly and minuted as such (minute 069/21, 109/21, 142/22).
- Are there any significant unexplained variances from budget?
The Budget Summary tab of the spreadsheet shows the actual to date against budget for the year at any point in time. Actual expenditure was £2,500 higher than budgeted, mainly due to maintenance costs of open spaces. The council is also aware that the income from Push Energy, that it has received for the past 5 years has now come to an end and these factors are reflected in the setting of the 2022/23 budget and precept (see the notes in column L).

E Income Controls

- What are the council's sources of income other than precept and VAT refunds?
Income includes receipts from Push Energy (a final payment), allotment rents, contribution towards hedge cutting, fundraising event for the Orchard, grants and interest.
- Is income properly recorded and promptly banked?
All other income received by direct credit.
- Does the precept recorded in the cash book agree to the district council's notification?
CBC pays in 2 instalments but notification does not show a split of precept, general grant and localised council tax support. The total of £13099 (2 x £6549.50 received April and September) from CBC agrees to the totals expected by Messing PC of precept £12235 and Revenue Grant & LCTS of £864.
- Are security controls over cash adequate and effective
No cash handled

F Petty Cash No Petty cash is held. (Financial Reg 6.21)

G Payroll

- Do salaries paid agree with those approved by the council?
Yes. Clerk/RFO resigned 20 April 2021 (minute 20/191) and worked 4 week notice period. Final pay was for May 2021. Locum clerk appointed at meeting 10 May 2021 (minute 001/21). There were discussions in the year about an interim clerk contract (minute 027/21) but instead a secondment arrangement was agreed with another council for engagement of their clerk (meeting 29 June 2021 minute 042/21). The arrangement is for the clerk to undertake the hours necessary to provide a clerk / RFO service for Messing PC whilst recognising that any work for the other council takes priority. Messing PC is invoiced on a quarterly basis and payment of invoice approved in the normal way. The number of weekly hours worked appears to be between 6 and 10, which is less than the 12 hours per week previously contracted. Efforts to recruit a new clerk have been made throughout the year (minutes 059/21, 076/21, 114/21) but so far without success.

- Are other payments to the clerk reasonable and approved by the council?
Clerk receives a working from home allowance of £64 per month, agreed at the meeting 16 November 2021 (minute 109/21). Claims are also made for mileage, zoom licence and other expense reimbursements on presentation of receipts. Clerk's council mobile phone bill is paid by direct debit. All expenses are paid by cheques.
- Has PAYE / NIC and pensions been properly operated by the council as an employer?
*HMRC RTI BASIC Tools was used for April and May 2021 salary re previous clerk. The PAYE deductions are calculated by the HMRC system but the previous clerk has altered the deductions and cheques have been written for amounts net of income tax only. **HMRC has been paid the income tax deduction from April pay (cheque 100693) but not from the May pay. No amounts have been paid to HMRC for NIC deduction. This may be worth exploring further** Tax, NI and Pensions calculations for the locum clerk are dealt with by her employer council under the secondment arrangement.*
- What controls exist over management of staff time and duties?
The locum clerk reports to the chair and has regular 1:1s and is part of a WhatsApp group with all councillors.

H Assets

- Does the council keep an asset register of all material assets owned?
Yes. A separate spreadsheet is kept with columns for asset, location, date purchased, historic cost, estimated replacement date, replacement cost, insurance value and reserves available for such replacement. Assets are not grouped together by type which makes an assessment of insurance cover very difficult.
- Is the register regularly updated?
Register is updated at the year end. AGAR brought forward £69,002. Purchases in 2021/22 total £4536.95 (orchard path £4129, Laptop £250, phone £157.95). No disposals. Closing figure of £73,538.95.
- Do asset insurance valuations agree with those in the asset register?
*No. The replacement value column has not been updated this year and an assessment of insurance cover does not appear to have been undertaken prior to insurance renewal in October 2021. The policy schedule has the following insured values: General contents £2984, Gates and Fences £2228, Outside Equipment £2560, Play Equipment £21620 and Street furniture £37063 Total £66456. **As stated at last year's internal audit, with the asset register in its current format, there is no way of telling whether insurance cover is sufficient. I would recommend reorganising the asset register by type of asset as used in the property damage schedule and in advance of the 31 October 2022 renewal, estimating the replacement values of assets and cover needed.***

I Bank reconciliations

- Is there a bank rec for each account?
Yes. 2 Barclays bank accounts: Community account and Business Saver account, reconciled quarterly on a separate tab in the cash book.
- Is the bank rec carried out regularly on receipt of statements?
Yes. Quarterly
- Are there any unexplained balancing entries in any reconciliation?
No.

J Year End

- Are year end accounts prepared on the correct accounting basis (R & P / I & E)?
Yes. R & P basis
- Do accounts agree with the cash book and working papers?
Yes. The spreadsheet, kept throughout the year, builds the totals for preparation of the accounts.
- Is there an audit trail from underlying financial records to the accounts?
Receipts and payments are referenced and easy to track through the cash book spreadsheet.
- Where appropriate, have debtors and creditors been properly recorded?
This is not a requirement of R&P accounts. At the year-end there is a debtor for unclaimed VAT and a creditor for staff costs not yet invoiced for Jan to March 2022.

K Council Exempting itself from a limited assurance review

- Did the council meet the criteria?
Yes. Gross income and gross expenditure in 2019/20 was below £25000.
- Did the council exempt itself from the review? *Yes*
- Was the exemption certified at a meeting? *Yes. Minute 035/21*
- Was the appropriate notice displayed? *Yes* [Microsoft Word - AGAR Page 3 - Certificate of Exemption \(messinginworth.org\)](#)

L Web page Publication

The authority publishes information on a website/webpage, up to date at the time of the internal audit, in accordance with the Transparency code for smaller authorities. *The minutes include payments lists each month* [Agenda & Minutes – Messing and Inworth Parish Council \(messinginworth.org\)](#)

M Public Rights in Summer 2021

The council agreed the dates for the period for the Exercise of Public Rights commencing 1 July 2021 and ending 12 August 2021 and displayed the notice. [Microsoft Word - Confirmation-of-the-dates-of-the-period-for-the-exercise-of-public-rights-2020-21 \(messinginworth.org\)](#)

N Publication of Annual Return 2020/21

The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).

[Microsoft Word - AGAR Page 6 - Accounting Statement \(messinginworth.org\)](#)
[Microsoft Word - AGAR Page 5 - Governance Statement \(messinginworth.org\)](#)

O Trustees

- If the council is a trustee, has it met its responsibilities?
Messing PC is not a sole trustee

Jan Stobart, FCCA
7 June 2022