

Public Sector Audit

Middleton on the Wolds Parish Council

Internal Audit Report for the year ended 31 March 2025

Public Sector Audit

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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 council's accounting records are maintained on a computerised system by Scribe which provides all the information required for the Statutory Annual Governance and Accountability Return (AGAR).</p> <p>It is sufficiently well analysed to provide all the information required for the completion of the Annual Governance and Accountability Return (AGAR).</p> <p>The accounting system ensures that it is arithmetically correct and monthly bank reconciliations confirm that the accounting system and the Barclays Current and Savings Accounts are in agreement.</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>Findings</p> <p>The council reviewed and adopted its Standing Orders and Financial Regulations at the council meeting held on the 9th May 2025.</p> <p>Both Standing Orders and Financial Regulations are the latest 2025 NALC Models.</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>Findings</p> <p>I have reviewed all payments in the cash book to ensure that there is a fully approved and authorised invoice and VAT has been correctly recorded and reclaimed. A VAT claim was submitted by the Clerk on the 29th April 2025 in respect of the period 1st April 2024 to the 31st March 2025.</p>

		<p>I have also reviewed the invoices for completeness, accuracy, appropriate year of account and compliance with Financial Regulations. Invoices have been initialled by two Council Members and, for the sample checked, have been reported to council for approval.</p> <p>The Clerk has provided details of Grass Cutting And Ground Maintenance areas within the Parish. I am required to check that the council has acted in accordance with its Financial Regulations in respect of the letting of such contracts or the obtaining of quotations for such work. The Clerk does not have the full details of all contracts let or quotations sought and received, however.</p> <ul style="list-style-type: none"> ➤ It is noted that a reimbursement to the Clerk for printer paper (ref. 24) is supported by a VAT till receipt but the VAT element of the purchase has not been identified in the cash book for reclaim from HMTC. ➤ Payment ref. 29 for printing the newsletter is for £414.52 but is only supported by an invoice for £215.59. ➤ The reimbursement for the proportion of an invoice relating to the council for training (ref 42) includes VAT but the VAT element has not been identified in the cash book for reclaim from HMRC. ➤ The council incurred late payment interest of PAYE during the year. ➤ An invoice for £59.29 including VAT (ref 76) was recorded in the cash book in the VAT column - i.e. 100% VAT. ➤ Payment ref 113 for reimbursement of stationery and stamps includes a valid VAT receipt for the stationery. The VAT element of this purchase, however, has not been identified in the cash book for reclaim from HMRC.
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		<ul style="list-style-type: none"> ➤ A payment for Microsoft 365 ref.114 includes a VAT element. This has not been recorded in the cash book for reclaim purposes. ➤ An underpayment of £47.43 for payment ref 122 on the 13th February 2025 has not been corrected by the 31st March 2025. ➤ Payment ref 125 relates to the Clerk's expenses for the purchase of stationery. The VAT element of this purchase, however, has not been identified in the cash book for reclaim from HMRC. <p>The council has not maintained a separate analysis code for expenditure incurred in respect of s.137 of the 1972 Local Government Act. This statutory power allows the council to incur expenditure for certain purposes not otherwise authorised by statute. The council may, subject to the provisions of this section of the Act, incur expenditure which in their opinion is in the interests of, and will bring direct benefit to, their area or any part of it or all or some of its inhabitants. The direct benefit accruing to the council's area or any part of it or to all or some of the inhabitants of the Parish area must be commensurate with the expenditure to be incurred. All such expenditure must be separately analysed to enable it to be identified and reviewed against the restrictions on its use.</p> <p>No cheques were issued during the year.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should maintain a document that identifies the areas of land, flower beds, etc. to be cut or otherwise maintained. It should record when quotations were last sought and work/contracts were awarded and the duration of such contracts. This will provide transparency and clarity of council governance and facilitate audit review and verification in accordance with the External Auditor's requirements. ● When the council is in possession of an official VAT invoice/receipt, the VAT element of the purchase should be identified in the cash book and included in the VAT return to HMRC.
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		<ul style="list-style-type: none"> ● A VAT column should be included on the Clerk's expenses claim form to facilitate the recording and reclaiming of VAT from HMRC. ● All council payments should be fully supported by invoices or receipts. ● HMRC statutory deductions should always be paid monthly to avoid late payment interest. ● Care should be taken to ensure that invoices are recorded correctly in the cash book - i.e. net, VAT and gross where applicable in order to complete the VAT return accurately. ● If not already done so, the council should review payment ref 122 and pay the outstanding amount if appropriate. ● The council should maintain an analysis code within its accounting system for s.137 expenditure for audit and verification purposes as such expenditure is for specific statutory payments that are limited by the type of payment and to whom they are paid and are restricted to an annual statutory limit.
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 maintains a General Risk Assessment covering assets, finance, council liabilities, contractors, Councillor propriety and password security. A Play Area and Equipment Risk Assessment is also maintained. The assessments identify the risks and the control measures in place to mitigate the risks.</p> <p>The Play Area and Equipment Risk Assessment identifies that it will be reviewed annually or earlier if conditions change.</p> <ul style="list-style-type: none"> ➤ The General Risk Assessment was reviewed on the 9th May 2024, minute ref 25/26-26 ➤ The Health & Safety Policy was reviewed on the 3rd February 2025, minute ref 24/25-156

	<p>➤ The Memorial Policy was adopted on the 3rd February 2025, minute ref 24/25-156</p> <p>➤ The Playground Risk Assessment was adopted on the 7th April 2025, minute ref 24/25-190</p> <ul style="list-style-type: none"> ○ The Play Area and Equipment Risk Assessment confirms that play equipment inspections are carried out every two weeks and that "routine" inspections are undertaken in respect of vandalism. <p>The Clerk has confirmed that routine inspections have not been officially carried out and a Risk Assessment form has now been created to be completed when inspections are undertaken.</p> <p>➤ It is noted that the Insurance Policy Schedule identifies the following under the heading "Playground and Amusement Devices":</p> <ul style="list-style-type: none"> ▪ <i>If in relation to any claim you have failed to fulfil any of the following conditions, you will lose the right to indemnity or payment for that claim. You must ensure that in connection with any playground and amusements devices:</i> <ul style="list-style-type: none"> • <i>A.ii Are inspected, by a competent person, at least weekly and all defects or risks to health and safety are immediately rectified, or the structure taken out of use.</i> • <i>B. You will erect where necessary suitable signs detailing any information that is necessary for the safe use of the equipment device or facility and clearly stating any restriction on its use.</i> <p>I have reviewed the council's insurance policy and confirm that the indemnity limits are adequate.</p> <p>I have reviewed the council's arrangements for the backup of its electronic data. The Clerk confirmed that data is backed automatically to cloud using Microsoft One Drive. The Clerk has also confirmed that the laptop is password protected.</p>
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		<p>Recommendations</p> <ul style="list-style-type: none"> ● Formal Inspection Sheets should be completed for all Health and Safety inspections. They should identify the dates on which the inspection took place and the name of the person undertaking the inspection, each area/piece of equipment inspected, the condition, any action(s) required, the date(s) on which any faults or issues were rectified. This information is required in the event of any incident or injury for insurance purposes and for the Health and Safety inspectorate if involved. ● All inspection sheets should be returned to the Clerk for review and filing and submitted to audit for verification purposes. ● When reviewing the frequency of formal inspections the council should have regard to the above policy conditions of the insurance company.
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>The council prepared a detailed budget in the correct format in support of its Precept.</p> <p>The Clerk has not yet received training on how to access the monthly detailed budget monitoring reports that are available from the Scribe accounting software and hence such reports have not been provided to council throughout the year.</p> <ul style="list-style-type: none"> ➤ The presentation to council of routine budget monitoring reports is best practice and is required by the External Auditor. Such reports enable the council to make decisions if spending significantly exceeds original budget or if anticipated budgeted income is not received. <p>The year-end balance at 31/03/25 was £17,833. The council does not hold earmarked reserves for future liabilities or projects. The whole of the year-end balance, therefore, is a general council reserve. This represents a general balance which is 68% of the 2025/26 Precept which is considered to be low for a council the size of Middleton on the Wolds Parish Council.</p>

		<p>Recommendations</p> <ul style="list-style-type: none"> ● Detailed budget monitoring reports, available automatically from the Scribe accounting software, should be provided to each council meeting for review and approval. ● When setting the 2025/26 budget the council should have regard to Government guidance regarding the size of general balances appropriate to a council the size of Middleton on the Wolds Parish Council. The guidance can be found on page 38 of the NALC 2024 JPAG Practitioner Guide to Accountability and Governance.
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>Apart from the Precept the council received a refund of VAT in respect of 2023/24, allotments, pit rents, wayleaves, cemetery, refunds, the Village Events Committee, advertising, grants from ERYC, sundry grants, Recreational Club and Bowls Club water usage, a donation and bank interest.</p> <p>I am required by the External Auditor to certify that income received is in accordance with council approvals. To do this I need to see the council formal scales of charges or minute references when charges have been reviewed and approved. To positively complete the year-end Internal Audit Certificate on the AGAR I need either of the above for income in respect of allotments, pit rents, cemetery, advertising, Bowls Club rent, Recreation Club rent.</p> <p>The Clerk has confirmed that charges for allotment, pits and advertising have not been reviewed during 2024/25.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● The council should adopt a formal scale of charges in respect of allotments, pit rents, advertising, and the Cemetery,

		<ul style="list-style-type: none"> ● The scale of charges should be reviewed at least every two years, whether the council decides to increase charges or not. ● The scale of charges should be submitted to audit to facilitate the review and verification of council charges and income received.
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</p> <p>The council does not maintain a petty cash system.</p> <p>Any petty expenditure incurred is reimbursed to the Clerk and Councillors as part of the normal payment process. Issues regarding the recording of the VAT elements of invoices/receipts have been included in section three of this report.</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</p> <p>The Clerk has a formal Contract of Employment which contains clear terms and conditions.</p> <p>I have agreed all monthly gross pay calculations for the Clerk to the Contract of Employment and the 2024/25 NJC pay scales, including back pay from the 1st April 2024.</p> <p>Allowances paid are reasonable and in accordance with the Contract of Employment</p> <p>The Clerk is subject to PAYE and NI regulations; owing to the construction of the cash book showing gross pay only (with no payments to HMRC) for the first three months of the financial year, and a late payment of statutory deductions to HMRC during August, it is not possible to determine whether all PAYE due to HMRC</p>

		has been paid during the year. As recommended in section three of this report, statutory deductions should be paid monthly in accordance with HMRC requirements.
9	Is the Asset and Investment Register complete and accurate and reviewed on a regular basis?	<p><u>Appropriate recording of assets</u></p> <p>Findings</p> <p>The council maintains an Asset Register within the Scribe accounting system software.</p> <ul style="list-style-type: none"> ➤ It is noted that the register does not include a disposals column as required by the External Auditor. ➤ I have compared the Asset Register with the council's insurance schedule and noted that some items on the insurance schedule, such as the War Memorial, are not on the Asset Register. Also, valuations for insurance purposes differ between the register and the insurance policy. For example, on the insurance schedule the declared value for buildings is £64,372 and the total sum insured is £77,246, whereas the Asset Register purchase values are £130,000 (in 2003) for the Allotment and Bowls Club and £94,000 (in 1996) for the Recreation Club. It is also difficult to confirm whether other assets, such as play equipment, are adequately insured as some play equipment descriptions on the register do not have values against them. ➤ Signs for the Play Area, a grass cutter and a hedge cutter purchased during the year have not been added to the register at the time of the audit. Also a strimmer was repaired during the year and this asset also was not on the register at the time of the audit. ➤ There were no values on the Asset Register at the time of the audit in respect of the following: the Titan 5 arm rotator, the Wickstead 2 bay 4 seat swing, the Wickstead Multi Play Junior, Nest Swing, 1.5m diameter roundabout, 2.4m 2 seat junior Cradle Swing, 25m Aerial Runway and launch pad, bespoke Multi-play unit, goal end and the East Pit. <p>The council does not hold any investments.</p> <p>The Asset Register was reviewed and approved at the council meeting held on the 9th May 2025.</p>

		<p>Recommendations</p> <ul style="list-style-type: none"> ● The Asset Register should be re-drafted to include a disposals column in which to record the date(s) on which assets were disposed of and the reason ● When assets are disposed of the disposal column should be completed, the asset description should remain on the register and the value should be recorded as nil. ● The sign for the Play Area, the grass cutter and the hedge cutter purchased during the year and the trimmer that was repaired during the year should be added to the register at cost prices net of VAT in accordance with Government guidelines. ● The above listed items on the register with no values attached to them should be reviewed and appropriate values (if known) added to the register. ● The Asset Register should be compared with the Insurance Policy schedule to confirm that all of the assets that the council wish to insure are included on the insurance schedule and that the sums they are insured for are adequate.
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>Bank reconciliations were prepared and presented to each council meeting during the year, with the exception of May 2024 when there was an IT issue. They correctly include the council's Current Account and Savings Account and not the Current Account for the Reading Room. They do not contain any unusual or balancing figures.</p> <p>➤ The year-end reconciliation presented to audit, however, includes an incorrect figure in respect of the total payments during the year per the accounting system. When the correct total payments figure from the accounting system is included in the reconciliation, however, it still did not balance to the bank accounts. This issue was raised with the Clerk at the time of the audit and the Clerk identified</p>

		<p>that two payments had been entered into Scribe incorrectly. This was corrected by the Clerk, a revised payments list was produced together with an amended year-end reconciliation which now balances.</p> <p>The reconciliations have been signed as authorised by a Council Member, together with the relevant monthly bank statements which have also been signed to confirm agreement with the reconciliations. This is considered to best practice and forms an important part of the council's internal financial control environment.</p> <p>Recommendation</p> <ul style="list-style-type: none"> ● The preparation of accurate bank reconciliation statements is an important part of the council's Internal Financial Control Environment; they should be undertaken with care each month to ensure that the council's accounting system and bank accounts are in agreement prior to presentation to council for review and verification.
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 Accounting 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 presented to audit agreed with the cash book but, as noted in section 10 of this report, the year-end bank reconciliation statement did not agree with the cash book.</p> <p>The total value of the Asset Register presented to audit does not agree to the declaration in box 9 on the Accounting Statement on the AGAR. Also, as noted in section nine of this report, the Asset Register should be amended to include all assets purchased by the council, appropriate asset values for all assets on the register and the resultant amended total of assets held at the 31st March 2025.</p>

		<p>The Clerk has confirmed that an Internal Audit Report in respect of 2023/24 was not provided to the council during 2024/25.</p> <p>Recommendations</p> <ul style="list-style-type: none"> ● Prior to submission to the External Auditor the year-end Accounting Statement must be reviewed and amended to agree to the amended bank reconciliation statement. ● The Asset Register should also be amended to include all assets purchased by the council, appropriate asset values for all assets on the register and the resultant amended total of assets held at the 31st March 2025. ● The amended total of council owned assets as at the 31st March 2025 should be declared in box 9 of the Accounting Statement prior to submission to the External Auditor.
12	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><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	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><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 correctly provided the proper opportunity 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?	<p><u>Publication Requirements</u></p> <p>Findings I have reviewed the council's website and confirmed that the council published the correct documents as required by the Accounts and Audit Regulations 2015.</p> <p>The Annual Governance Statement (AGS) and the Accounting Statements have been correctly published. Page 9 of the External Auditor's detailed instructions, however, confirms that <i>"The AGS must be approved prior to the Accounting Statements, either at separate meetings or in the same meeting but with the correct order of business on the agenda, and this must be evidenced by the meeting minute references and/or dates."</i></p> <p>➤ The minutes of the council's meeting held on the 10th June 2024 confirm only that the <i>"The Annual Governance & Accountability Statements were completed."</i></p> <p>Recommendation ● In accordance with the External Auditor's detailed instructions for 2024/25 "The AGS must <i>be approved prior to the Accounting Statements, either at separate meetings or in the same meeting but with the correct order of business on the agenda and this must be evidenced by the meeting minute references and/or dates.</i>"</p>
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p>Findings I have seen no evidence that the council has sole responsibility for Trust Funds and the Clerk has confirmed that this is the case.</p>

Executive Summary

The audit of the accounts and governance arrangements of the council has highlighted issues in respect of cash book construction, payment controls, Risk Management - inspection of assets, Budget Monitoring, Income controls, Asset Register, construction of bank reconciliations and interim reconciliations, construction of the AGAR and publication requirements.

The Recommendations in respect of these issues have been prioritised and action must be taken in the order of priority in which they presented in the report. The consideration and adoption of the recommendations will ensure that the council complies with statutory requirements and External Audit and Government guidance and will strengthen the systems, procedures and governance arrangements at the council.

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

11th June 2025

Public Sector Audit

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