

## Internal Audit Report for for the

Clerk	Sue Frankis
RFO (if different)	Sue Frankis
Chairperson	Allan Fowler
Precept	£ 37,810.00
Income	£ 80,301.62
Expenditure	£ 45,075.03
General reserves	£8,891.54
Earmarked reserves	£475.54
Audit type	Annual
Auditor name	Linda Harley

### Introduction

The primary objective of internal audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council. To achieve this SALC adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with reference to:

- the effectiveness of operations
- the economic and efficient use of resources

- compliance with applicable policies, procedures, laws and regulations
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- the integrity and reliability of information, accounts and data

## Methodology

When conducting the audit, the internal auditor may:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2020/21 of the Annual Governance and Accountability Return (AGAR)
- review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council complies
- review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

<b>Section 1 – proper bookkeeping</b>		
The internal auditor will look at the methods and processes used to manage the council’s accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses excel to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial management reports.
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cashbook is kept up to date and provides good evidence to support the council’s underlying statements.
<i>Is the arithmetic correct?</i>	Yes	Accounting records were spot checked – they are well maintained and clearly identify expenditure and income at any given point.
<b>Additional comments:</b> The RFO shows excellent practice by producing full monthly financial reports which include details of all financial transactions including payments against the annual budget. These reports are then published on the Council's website.		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
The internal auditor will check the date the Council carried out its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	At the meeting on 16/7/20 the Council carried out an annual review of its Standing Orders and adopted the update to the procurement figures for the Model Stand Orders (produced by NALC in 2018)
Are Financial Regulations up to date and reviewed annually?	Yes	At the meeting on 16/7/20 the council carried out an annual review of its Financial Regulations and adopted the update to the procurement figures for the Model Financial Regulations (produced by NALC in 2020)
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations have been tailored to Coddendam Parish Council.
Has the Council appointed a Responsible Financial Officer (RFO)? <sup>1</sup>	Yes	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed the Clerk as the RFO, to be responsible for the administration of the financial affairs of the relevant authority. This was noted in the Council's minutes of 14/5/20.
<b>Additional comments:</b>		

<sup>1</sup> Section 151 Local Government Act 1972 (d)

<b>Section 3 – Payment controls</b>		
The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?		A selection of expenditure items were made and cross-checked against the cash book, invoices and bank statements. At each full council meeting a list of payments is presented to ensure formal approval of expenditure and this is correctly minuted. This demonstrates good practice in that there are measures in place that help safeguard public money supported by a straight forward and clear audit trail for each payment. Comment: Council are aware that all invoices should be initialled by the 2 members who are authorising the payments but due to Covid 19 restrictions this has not been possible this year.
Where applicable, are internet banking transactions properly recorded and approved?		There is clear evidence of good practice included in the Council's Internal Statement of Control - payments are checked by two councillors against invoices and online authorisation is then completed demonstrating the council is working in line with its own Financial Regulations.
Is VAT correctly identified, recorded and claimed within time limits?	Yes	VAT is identified in the cashbook. 2 amounts of VAT were reclaimed within the audit year and noted in the minutes: 16/7/20 £212.80 and 17/11/20 £461.89. The Council shows good practice by including the reclaiming of VAT in their Internal Control Document. Comment: Council may wish to note that VAT can only be reclaimed with an invoice payable to Coddendam Parish Council

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	Yes	The General Power of Competence was adopted by the Council at their meeting on 14/5/20 and it was confirmed in the minutes that the eligibility had been met. Comment: Council may wish to include the list of eligibility requirements and how they were met in the minutes
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Payments which would have been made under S137 but are now correctly made under the General Power of Competence have been listed separately in the cashbook.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?		The Council clearly shows payments for loans in the cashbook and a statement of outstanding balances was seen by the auditor of £87,937.60
<b>Additional comments:</b>		

<b>Section 4 – Risk management</b>		
The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.		
<b>Evidence</b>		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	Yes	The Council has a comprehensive Internal Control Document which was considered for the period under review on a quarterly basis and covers in general terms the matters which could prevent a smaller relevant body from functioning. Separate Financial Risk Assessment documentation has also been adopted and is regularly reviewed
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Council has a comprehensive Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately

<sup>2</sup> Localism Act

<sup>3</sup> Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £8.12 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

		protected and managed and has taken steps to mitigate such risks. This was reviewed by the Council at their meeting on 18/3/21
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	Yes	General insurance is in place with assets covered under an 'all risks' policy. Fidelity Guarantee cover is £250,000 which given the current balances held by the Council is within the recommended guidelines. Both Public Liability and Employers Liability insurance are covered for £10 million. The Council's insurance cover was renewed at their meeting on 17/9/20 and the Council showed good practise by adding a minute to show the cover was reviewed and considered appropriate.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	Yes	As approved at quarterly meetings of full council, it was evidenced that the Council has a comprehensive financial risk assessment that demonstrates public finances are adequately protected and managed and evidence that any necessary steps have been taken to mitigate any risks identified. Documentation to support control procedures adopted by the Council for payments helps protect the RFO and fulfils an internal control objective. In accordance with the Accounts and Audit Regulations 2015 the Council has understood the requirements to have in place safe and efficient arrangements to safeguard public money
<i>Evidence that a review of the effectiveness of internal audit has been carried out during the year<sup>5</sup></i>	No	The review of the effectiveness of the internal audit is included on the internal statement of control but this has not been minuted. The clerk confirmed that this review has not taken place in this audit year. <b>Recommendation: Council should carry out a review of the effectiveness of its internal audit during the audit year and note that it has been carried out in the minutes.</b> Comment: By reviewing the terms of reference for internal audit, Council has followed guidance with the Governance and Accountability Guide and recognises that the internal audit's function is to test and report to the

<sup>4</sup> Accounts and Audit Regulations

<sup>5</sup> Governance and Accountability Guide

		authority on whether its specific system of internal control is adequate and working satisfactorily.
<b>Additional comments:</b> The Council has identified a number of risks and taken action to control these. All Councillors are aware of the risks detailed in the Internal Control Document which is noted at quarterly meetings.		

<b>Section 5 – Budgetary controls</b>		
The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		
<b>Evidence</b>		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget for the year 2020/2021 in the sum of £37,810 was approved by full Council at a meeting on 23/1/20
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at £37,810 and formally approved at a meeting on 23/1/20
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Expenditure is published monthly in a comprehensive financial report. The Council shows good practice by publishing monthly details of the full budget and spending against it as detailed in the Council's own Standing Orders
<i>Reserves held – general and earmarked<sup>6</sup></i>	Yes	The Council's final accounts show general reserves in the sum of £8,891.54 with earmarked reserves in the sum of £475.54 with overall reserves standing at £9,367.08 which is within the published guidelines. The Council holds a reserves policy
<b>Additional comments:</b>		

<sup>6</sup> In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

<b>Section 6 – income controls</b>		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked and reported and test mechanisms used to achieve this.		
<b>Evidence</b>		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>		Income is properly recorded and promptly banked. Council received funds of £26,000 from a resident which Clerk has confirmed is earmarked for the PWLB loan for the Community Centre.
<i>Is income reported to full council?</i>	Yes	In accordance with the Council's Standing Orders, income is reported to full Council in the monthly financial reports.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The Council received the precept amount of £37,810 during the year under review, paid in April and September, which agrees with Midsuffolk District Council's notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	Yes	CIL funds received for the year under review show a balance of £320.54 as reported to full council. In accordance with the Regulations the council have received a proportion of CIL funds and ensured that retained balances are transferred to the earmarked reserves specifically allocated. The council has complied with its duty to produce an annual report that details the amount of CIL funds received and spent. The annual report for the year ending 31/3/21 showing income received and retained balances was verified by the internal auditor and the council had published the report on their website.
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	Yes	
<b>Additional comments:</b>		

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<b>Section 7 – petty cash</b>		
The Internal Auditor will seek evidence that the Council has followed its own policies, procedures and verification processes and that these are up to date.		
<b>Evidence</b>		Internal auditor commentary
<i>Is petty cash in operation?</i>	<i>No</i>	
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b>		
The Internal Auditor will check salaries are approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. If the Clerk was recruited after 1 <sup>st</sup> April 201, evidence will be required to show compliance with the new requirements for the statement of employment, Induction, probation periods and training requirements. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
<b>Evidence</b>		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	Yes	The Council has 1 employee during the period under review.
<i>Has the Council approved salary paid?</i>	Yes	Employment contracts were not reviewed during the internal audit, but evidence confirms all salary payments are authorised by full Council. In accordance with proper practices, the Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. The Clerk's salary was agreed at the meeting on 17/9/20.
<i>Minimum wage paid?</i>	Yes	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	Yes	The payroll function is operated in accordance with HM Revenue and Customs guidelines. There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the Council has complied with its duties under employment legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	In accordance with Proper Practices, PAYE taxes and employee and employer National Insurance contributions (NIC) are calculated and recorded. Deductions are paid to HM Revenue and Customs on or before the dates prescribed.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	Yes	Council is aware of their pension responsibilities. A re-declaration of compliance with regards to automatic enrolment duties was completed through the Pension Regulator in 2019.
<i>Are there any other payments (eg: expenses) and are these reasonable and approved by the Council?</i>	Yes	Expenses payments are supported by invoices
<b>Additional comments:</b>		

<sup>8</sup> The Pension Regulator – [website click here](#)

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<b>Section 9 – Asset control</b>		
<p>The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.</p>		
<b>Evidence</b>		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?<sup>9</sup></i>	Yes	The Asset Register was reviewed for year-end and accurately reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end (31.03.2021) was £19,731 which agrees with box 9 of Section 2 of the AGAR.
<i>Are the value of the assets included? (note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	No	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The asset register was signed off by the Council at its meeting on 16/7/20 and 17/9/20 confirming it covers assets within the ownership or responsibility of the Council.
<i>Cross checking of insurance cover</i>	Yes	Contents are generic under heading within the 'All Risks Category' and have been given a value in accordance with the Policy held.
<b>Additional comments:</b>		

<sup>9</sup> Governance and Accountability for Smaller Authorities in England – March 2019

<b>Section 10 – bank reconciliation</b>		
The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
<b>Evidence</b>		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	A number of samples were tested. There is evidence of good financial practice and the Council has implemented a system whereby bank reconciliation is correctly verified by the Council on a monthly basis. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with period end statements and, as at year end (31 <sup>st</sup> March) for the period under review the balance across the Council's accounts stood at: Unity Trust Savings account £8,017.11 Unity Trust Current account £37,694.05 Total balances £45,711.16 which agrees with the annual bank reconciliation
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Financial Reports are submitted monthly to the Council which include details of bank balances.

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Accounts are produced following correct accounting procedures
<i>Financial trail from records to presented accounts</i>	Yes	The end of year accounts and supporting documentation were well presented for the internal auditor review
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	Yes	The Council is a smaller authority with gross income and expenditure exceeding £25,000, it has completed Sections 1 and 2 of Part 3 of the AGAR
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	Yes	The internal auditor was able to find details of the arrangements for the exercise of public rights for the year end 2020 on the public website used by the Council from 1/9/20 to 12/10/20. Following comments from the External auditor, the Council are aware that 'the period set was not strictly in contravention of the timing permitted under the legislation introduced as a result of Covid 19 however Regulation 12 of the Accounts and Audit Regs 2015 requires the RFO to commence the period for the exercise of electors rights, as soon as practicable after the date on which the authority signs and approves the statement of accounts.'
<i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i>	Yes	The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website:

<sup>10</sup> Annual Governance & Accountability Return (AGAR)

<sup>11</sup> Accounts and Audit Regulations 2015

	<p>Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Section 3 – The External Auditor Report and Certificate 2018/19, page 6 Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p>
<p><b><i>Additional comments:</i></b></p>	

<b>Section 12 – internal audit</b>		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the previous internal audit report been considered by the Council?</i>	Yes	The Internal Auditor’s Report for the year ending 31/3/2020 has been considered and reviewed and accepted by the Council at their meeting on 14/5/20.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	All items raised have been resolved by the Council.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	SALC was appointed as the internal auditor for this financial year and this was noted in the minutes of 18/3/2021.
<b>Additional comments:</b>		

<b>Section 13 – external audit for the period under review</b>		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be taken into account.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the previous external audit report been considered by the Council?</i> <sup>12</sup>	Yes	The Limited Assurance Review for the period ending 31/3/2020 was presented to Coddensham Parish Council at its meeting on 17/11/2020.
<i>Has appropriate action been taken regarding the comments raised?</i>	Yes	Appropriate action has been taken in relation to the following matters raised: (i) AGAR not accurately completed and returned for amending (ii) Period for public rights was not immediately after the signing and approval of the statement of accounts  It is noted that there were no matters that had given cause for concern.
<b>Additional comments:</b>		

<sup>12</sup> Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (ie. All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

<b>Section 14 – additional information</b>		
The internal auditor will look for some additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> <sup>13</sup> <i>(note to auditor- emergency Regulations as a result of the COVID-19 pandemic)</i> <sup>f14</sup>	Yes	For the period in question, as a result of the COVID-19 pandemic the Council chose not to hold an Annual Meeting of the Parish Council. A new Chair and Vice Chair were appointed at the meeting of 17/9/20
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>15</sup>	Yes	The internal auditor is unable to check that the minutes are initialled, each page identified and signed due to the nature of the 'virtual' audit for 2020/2021.
<i>Is there a list of members' interests held?</i>	Yes	
<i>Does the Council have any Trustee responsibilities and if so are these clearly identified in a Trust Document?</i>	No	
<i>Has the Transparency Code been correctly applied and information published in accordance with current legislation?</i>	Yes	Council have complied with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), and have published on a public website for the year 2019/20: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register and are aware that Agendas of Meetings; Associated Papers and Minutes should be published in accordance with the prescribed timescales as set out in the Transparency code for smaller authorities – December 2014.

<sup>13</sup> The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

<sup>14</sup> The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020

<sup>15</sup> Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972 and the Localism Act 2011

<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>16</sup></i>	Yes	The Council is correctly registered with the ICO as a data controller in accordance with legislation, under reference ZA102540
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	<i>Partly met</i>	The Council has taken steps to ensure compliancy – evidenced as follows: Privacy Notices, Procedures for dealing with Subject Access Requests, Procedure for dealing with Data Breaches. <b>Recommendation: To be fully compliant with the General Data Protection Regulations Council may wish to adopt an Audit/Impact Assessment and a Data Retention and Disposal Policy.</b>
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>17</sup></i>	Yes	The website accessibility statement has been correctly published on a separate page on the Council's website.
<i>Is there evidence that electronic files are backed up?</i>	No	No evidence seen.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The clerk confirmed that the Council does not have any committees.
<b>Additional comments:</b>		

Signed: *Linda Harley*

Date of Internal Audit Visit: 12/4/21      Date of Internal Audit Report: 12/4/21

On behalf of Suffolk Association of Local Councils

<sup>16</sup> Data Protection Act 2018

<sup>17</sup> Website Accessibility Regulations 2018