

Internal Audit Report
Year ending: 31st March 2020

Name of Council:	Coddenham Parish Council
Income:	£56,458.50
Expenditure:	£99,582.00
Precept Figure:	£30,872
General Reserve:	£8891.54
Earmarked Reserves:	£2787.30

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this will 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

Accordingly, in the conduct of planned audits Internal Audit 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 2019/20 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

Subject	Requirements	Comments/Recommendations
1. Proper Book-keeping	Type of cash book or ledger used	A comprehensive list of all receipts and payments to 31/3/2020 was seen.
	Cash book kept up to date and regularly verified against bank statement	The list of receipts and payments was up to date. Explanation given as to why no bank reconciliations completed in the first half of the financial year.
	Correct arithmetic and balancing	Payments and receipts list were in the form of an excel spreadsheet. Comment: Strongly recommend using an excel cashbook to separately record receipts and payments under individual budget headings, to allow Councillors to review expenditure against budget.
2. Financial Regulations & Standing Orders	Evidence that standing orders have been adopted and reviewed regularly	Evidence seen that up to date NALC model standing orders adopted 23/1/20.
	Evidence that Financial Regulations have been adopted and reviewed regularly	Evidence seen that up to date NALC model Financial Regulations adopted 23/1/20.
	Evidence that a Responsible Financial Officer has been appointed with specific duties	Evidence seen in the minutes of the appointment of a Responsible Financial Officer, Susan Frankis 19/9/19 Item 82.
	Evidence that Financial Regulations have been tailored to the Council	The Financial Regulations have been tailored to Coddendam Parish Council.
3. Payment controls	Supporting paperwork for payments, and appropriate authorisation	A selection of random payments were selected and cross checked against the cashbook, bank statements, invoices and minutes. Most were found to be in order but some receipts were missing. Payment amounts are not individually included in the minutes. Invoices are initialled by 2 Councillors. Recommendations: Details of payments made and credits received should be either recorded in the minutes or as a separate item appended to the minutes. To ensure that all payments made are within its powers and that it is not acting

		<p>outside of its legal power, the Council should consider adding a reference as to the power being used in either the minutes or the cashbook.</p> <p>The items the accounting records should contain are detailed in Governance and Accountability for Local Councils. These include: entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure relates.</p>
	Internet Banking transactions properly recorded/approved	Invoices seen have been initialled by 2 Councillors
	VAT correctly identified and reclaimed within time limits	The Council demonstrated good practise in this financial year by reclaiming VAT quarterly and noting the amounts reclaimed in the minutes.
	Has Council adopted the General Power of Competence and is it being correctly applied?	The General Power of Competence has not been adopted.
	S137 separately recorded, minuted and within statutory limits	<p>A payment made under S.137 to Suffolk Neighbourhood Watch was recorded in the minutes of 19/3/20 and is within the statutory guidelines.</p> <p>Comment: Any payments made under S.137 should be recorded separately in the cashbook.</p>
	Payments of interest and principal sums in respect of loans, are paid in accordance with agreements	The payments list clearly shows 'PWLB loan repayments'.
4. Risk Management	Is there evidence of risk assessment documentation?	Evidence of comprehensive risk assessment and management documentation seen. An annual review was undertaken and minuted 19/3/20
	Evidence that risks are being identified and managed.	Evidence seen that risk are being identified and managed. Council shows good practice by having an independent playground inspection which is reported to Council and minuted on 28/11/19
	Appropriate Insurance cover in place for employment, public liability and fidelity guarantee.	Appropriate insurance cover is in place including £10m for employment and public liability. £250,000 of Fidelity Insurance cover is in place which is within the recommended guidelines of year end balances plus 50% of the precept/grants.

	Evidence that insurance is adequate and has been reviewed on an annual basis	The Council has reviewed their insurance policy against their asset register to ensure it is adequate and noted that this has been carried out in the minutes on 24/5/19. Insurance policy is on a 5 year term which expires September 2020.
	Evidence that internal controls are documented and regularly reviewed	Internal controls were adopted by the Council 19/3/20. Council shows good practice in reviewing these within the financial year.
	Evidence that a review of the effectiveness of internal audit has been carried out during the year	This is included within the internal control document.
5. Budgetary controls	Verifying that the budget has been properly prepared, and agreed	The budget has been prepared and discussed by Council and the precept was set at the meeting on 28/11/19.
	Verifying that the Precept amount has been agreed in full Council and clearly minuted	The amount of the precept £30,872 was noted in the minutes.
	Regular reporting of expenditure and variances from budget	<p>‘Agreeing the schedule of payments’ is regularly reported in the minutes.</p> <p>Comment: It is good practice to include a list of payments and receipts either in the minutes or as an appendix. Council receives a report at each meeting from the Financial Officer however there is no evidence in the minutes to show reporting of expenditure against budget.</p> <p>Recommendation: in accordance with Council's own Standing Orders, Council should receive and consider a report submitted by the Responsible Financial Officer as soon as practicable after 30 June, 30 September and 31 December which contains a statement to summarize:</p> <ul style="list-style-type: none"> i. the council's receipts and payments for each quarter; ii. the council's aggregate receipts and payments for the year to date; iii. the balances held at the end of the quarter being report

		and which includes a comparison with the budget for the financial year and highlights any actual or potential overspends.
	Reserves held General and Earmarked.	General Reserve £ 8891.54 Earmarked Reserve £2787.30 Recommendation: It is good practice to keep any funds received from CIL in a separate earmarked reserve
6. Income controls	Is income properly recorded and promptly banked?	Income is properly recorded on the receipts list.
	Is income reported to full Council?	There is some evidence in the minutes of income being reported to Council. Please see recommendation under item 3.
	Does the Precept recorded agree to the Council Tax Authority's notification?	The amount of precept received on the Bank statement agrees to the receipts list but no copy of the Council Tax Authority's notification was kept by the temporary clerk.
	If appropriate, are CIL Reporting Schedules in accordance with the Community Infrastructure Levy Regulations 2010?	
	<ul style="list-style-type: none"> • Is CIL income reported to Council? 	CIL report to Council made on 28/11/19 - noted total CIL retained at 31/3/2019 as £459.80.
	<ul style="list-style-type: none"> • Does unspent CIL income form part of Earmarked reserves? 	No evidence seen.
	<ul style="list-style-type: none"> • Has an annual report been produced 	An annual report has been produced.
	<ul style="list-style-type: none"> • Has it been published on the authority's website 	The report is published on the Council's website.
7. Petty Cash	Is a petty cash in operation?	No system for petty cash is in operation.
	If so, is there an adequate control system in place.	
8. Payroll controls	Do all employees have contracts of employment?	Unable to comment as no evidence seen.

	<p>Are arrangements in place for authorising of the payroll and payments by the Council?</p> <p>Verifying the process for agreeing rates of pay to be applied.</p>	<p>Salary invoices are initialled by 2 Councillors with details of deductions provided.</p>
	<p>Do salary payments include deductions for PAYE/NIC?</p> <p>Is PAYE/NIC paid promptly to HMRC?</p>	<p>Evidence seen of deductions for both PAYE and NIC which are paid promptly to HMRC.</p>
	<p>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?</p>	<p>There is evidence that the Council is aware of its pension responsibilities. The Pensions Regulator confirmed - March 2017 that the Council had completed a declaration of compliance with the Pensions Act 2008.</p>
	<p>Are other payments to employees reasonable and approved by the Council?</p>	<p>Expenses payments are reasonable with invoices being signed by 2 Councillors.</p>
9. Asset control	<p>Verifying the Council maintains an Asset Register in accordance with proper practises</p>	<p>An Asset Register to value of £16,927 is maintained in accordance with proper practices.</p>
	<p>Verifying that the Asset Register is reviewed annually</p>	<p>The Asset register was reviewed at the meeting on 24/5/19 and noted in the minutes.</p>
	<p>Cross checking of Insurance cover</p>	<p>Business insurance is arranged through CAS where the schedule does not list individual assets insured, but a total amount of up to £50,000 which is adequate for their asset value registered as £16,927</p>
10. Bank reconciliation	<p>Regularly completed and reconciled with cash book</p>	<p>Auditor advised that no bank reconciliations were completed in the first half of the year as temporary clerks in place. Annual bank reconciliation completed and reconciled with cash book.</p>
	<p>Confirm bank balances agree with bank statements</p>	<p>Bank balances at 31/3/20 agree with the annual bank reconciliation: Current Account: £2465.97 Savings Account : £8009.12 Total : £10,475.09</p>

	Regular reporting of bank balances at council meetings	Bank Statements are presented to Council at each meeting.
11. Year-end procedures	Appropriate accounting procedures used	<p>Income and Expenditure system is used this year however, receipts and payments system was used the previous financial year. The clerk can either: (1) operate, as in the past on a receipts and payments basis, in which case she must balance Box 7 and Box 8 so that they equal or (2) continue operating on a debtors and creditors basis, but this is a departure from the way in which the figures were stated for 2018/19, and so in accordance with guidance will need to restate last year's figures and have both signed off by the Council.</p> <p>Recommendation: For Option 1 Governance and Accountability Guide states: 2.3. Section 2 of the Annual Governance and Accountability Return is a smaller authority's statement of accounts and takes the form of a summary income and expenditure account and a statement of balances. Where an authority's gross income or expenditure is not more than £200,000 for that year, or for either of the two immediately preceding financial years, the statement may take the form of a summary receipts and payments account. 2.4. An authority's statement of accounts needs to be in the form set out in Section 2 of the Annual Governance and Accountability Return. The figures entered in the relevant cells are the authority's receipts and payments for the year, or its income and expenditure, as appropriate. This guide assumes that most authorities maintain current records on a receipts and payments basis and convert these to income and expenditure at the year end, if necessary. Information and examples on the conversion process from receipts and payments to income and expenditure is provided in Section 5 and does not form part of proper practices. 2.22 For authorities preparing accounts on a receipts and payments basis, the figure in cell 8 will be the same as that</p>

		<p>shown at cell 7. For other authorities a statement needs to be prepared explaining the difference by reference to the adjustments that have been made to convert the accounts to an income and expenditure basis, particularly accounting for debtors, creditors and provisions.</p> <p>2.23 The authority will need to reconcile this figure to its year-end bank account statements and submit the reconciliation to the external auditor.</p> <p>For Option 2</p> <p>2.10. Authorities that change the basis on which their accounts are presented, i.e. from income and expenditure to receipts and payments (or vice versa), need to ensure that the comparative accounts in the Annual Governance and Accountability Return are shown on a consistent basis and are reported in Section 2 of the Annual Governance and Accountability Return by adding the word 'Restated' at the top of the prior year column, and explained by means of a note to the auditor.</p>
	Financial trail from records to presented accounts	A full trail from invoices, payments and receipts list, bank statements etc was seen for payments. Some information for credits was not available for items when locum clerk was the RFO. All items seen following appointment of permanent clerk.
	Has the appropriate end of year AGAR documents been completed?	Section 1 The Annual Governance Statement and Section 2 The Accounting Statement have been completed.
	Where an authority certified itself exempt in 2018/19, did it met the exemption criteria and correctly declared itself exempt?	N/A
	During the Summer 2019 did the smaller authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations?	The Council are aware that they did not meet this requirement to provide for the exercise of public rights covering the period of the first 10 working days of July and lasting for 30 days. Comment: This item has been raised with the Council.

	Have the publication requirements been met in accordance with the Audit & Accounts Regulations of 2015	The publication requirements in accordance with the Audit and Accounts Regulations have been partially met. The Notice of the period for the exercise of public rights did not include the first 10 working days of July.
12. Internal audit for the year ending 31 March 2019	Verifying that the previous internal audit reports have been considered by the Council	The internal audit report was considered by the Council on 24/5/19 and minuted.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from Internal Audit	Internal auditor recommended that Data Protection policies and procedures are put in place to ensure the Council is compliant with the new General Data Protection Regulations. Please see comments below.
	Confirmation of appointment of Internal Auditor	The internal control document states that SALC has been appointed as the internal auditor for the audit year 2019-20. Decision minuted by Council 19/9/2019 Item 88
13. External audit for the year ending 31 March 2019	Verifying that the external audit report has been considered by the Council	The external audit report was considered by the Council at their meeting on 17/10/19.
	Verifying that appropriate action has been taken regarding recommendations raised in reports from External Audit	2 items raised: had not complied with Regulation 15 of the Accounts and Audit Regulations 2015 as it had failed to make proper provision during the year for the exercise of public rights, since the period for the exercise of public rights has not included the first 10 working days of July and, ii) the Parish Council had not provided an adequate explanation for the difference between the figure in Section 2, Box 9 for the prior year comparative column and the prior year final signed AGAR – Council are aware of these items.
14. Additional Comments	Annual meeting - held in accordance with legislation	The Annual Meeting was held on 24/5/19 with the first item on the agenda being the election of Chairman.
	Correct identification of trustee responsibilities	N/A

Verification that the applicable Transparency Code has been correctly applied and information is published in accordance with current legislation	The Council has partially published the items required under current legislation. Comment - Council should publish on their website a list of Councillors and their responsibilities and Items of expenditure above £100 (including recoverable and non-recoverable VAT).
Verifying that the council is registered with the ICO	The Council is registered with the ICO under reference ZA102540
Verifying that the Council is compliant with the General Data Protection Regulation requirements Are the following in place: <ul style="list-style-type: none"> • Audit / Impact Assessment • Privacy Notices • Procedures for dealing with Subject Access Requests • Procedure for dealing with Data Breaches • Data Retention & Disposal Policies 	At the meeting on 17/10/19 Council adopted GDPR policies including privacy notice and SAR procedure. Recommendation: To be fully compliant with the GDPR Council should also adopt the following policies: Audit/impact assessment and Data Retention and Disposal policies.

Signed.....*Linda Harley*..... (For SALC Audit Team)

Date of Internal Audit Visit11/5/19.....

Date of Internal Audit Report.....12/5/19.....

On behalf of Suffolk Association of Local Councils