

Internal Audit Report for Coddenham Parish Council for the period ending 31 March 2023

Clerk	Mrs Susan Frankis
RFO (if different)	As above
Chairperson	Rob Denning
Precept	£32,223.84
Income	£40,586.20
Expenditure	£36,701.43
General reserves	£12,837.70
Earmarked reserves	£12,112.76
Audit type	Annual
Auditor name	Mrs Julie Lawes

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:

- conduct 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 2022/23 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 conducted as planned

Section 1 – proper bookkeeping		
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.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	YES	The council uses a Receipts and Payments accounting system, ensuring that the financial transactions of the Parish Council are accurately recorded. This is a clear and well detailed system.
<i>Is the cash book up to date and regularly verified?</i>	YES	The cash book provides good evidence to support the council’s underlying statements. At each meeting of the full council, details are circulated to councillors showing expenditure and income and the accounts reconciled to the bank statements showing good internal control.
<i>Is the arithmetic correct?</i>	YES	The accounts were spot checked and were all found to be correct.
Additional comments: <i>A very clear and easy to follow accounting system allowing full transparency of transactions made throughout the financial year.</i>		

Section 2 – Financial Regulation and Standing Orders		
The internal auditor will check the date the Council conducted 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.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	YES	At a meeting on 14 th July 2022 the council carried out an annual review of its Standing Orders, these are available to view on the council’s website and are based on the Model Standing Orders produced by NALC in 2018, updated April 2022.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 14 th July 2022. These are available to view on the council’s website and are based on the NALC Model Financial Regulations 2019.
Has the Council properly tailored the Financial Regulations?	YES	The Financial Regulations have been tailored to the council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), at a meeting held 12 th May 2022, the council approved the clerk to be the Responsible Financial Officer as per the council's own Financial Regulations (1.8) which state that the Clerk is the RFO.
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
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.		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	YES	A selection of expenditure items was made, and cross checked against the cash book, invoices and bank statements. A list of payments is presented to councillors 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.
Where applicable, are internet banking transactions properly recorded and approved?	YES	The Risk Assessment and Management (Financial) Policy reviewed and adopted 16 th March 2023 specifies an Internet Mandate is in place requiring two signatories to authorise payments set up by the RFO. Internet banking controls form part of the Councils Financial Regulations. Full details of payments are circulated to councillors for approval at council meetings.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cash book with the year-end total of £990.97 and two claims made for this amount to HMRC of £420.70 on 6 th April 2022 and £570.27 on 10 th October 2022.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	NO	At a meeting held 12 th May 2022 the council declared it no longer had the General Power of Competence.

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	YES	The councils accounts detail two separate s137 payments totalling £150.00. This is of direct benefit to the electorate and was minuted appropriately.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	YES	The Council made two PWLB repayments of £6,575.92 on 24 th June 2022 and 28 th December 2022 totalling £13,151.84 of which £13,000 was held in a PWLB Reserves account and the remainder £151.84 from a general precept account. A further £7,000 is held in a contingency PWLB Reserves account. Evidence was provided from the United Kingdom Debt Management Office advising the outstanding balances at 31 st March 2023 were PWLB 487910 £48,513.41 PWLB 496630 £20,481.25 Totalling £68,994.66
Additional comments:		

Section 4 – Risk management		
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.		
Evidence		Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	YES	A Risk Assessment and Risk Management Policy, alongside a Risk Management Strategy and Risk Management Register were adopted by full council at a meeting held 16 th March 2023, in addition to 13 th October 2022 and 24 th November 2022. This is evidenced within the minutes.

³ 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 £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

<i>Is there evidence that risks are being identified and managed?</i>	YES	The council has taken steps to identify, assess and record the risks associated with its actions and decisions that could have financial or reputational consequences.
<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	<p>Council has insurance in place under a Parish Protect Policy with Community Action Suffolk for the period of 01st October 2022 to 30th September 2023 which shows core cover for the following: Business Interruption £20k; Employers Liability £10m; Public/Products Liability: £10m; Fidelity Guarantee £250k.</p> <p>At a meeting held 13th October 2022 the insurance cover was checked and agreed.</p> <p>The level of Fidelity Guarantee meets the recommended guidelines which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.</p> <p>Comment: Council should look to review, agree and minute the acceptance of the Insurance Policy prior to it commencing.</p>
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	<p>At a full council meeting on 16th March 2023, it was evidenced that the council reviewed the Internal Control Check and Statement of Internal Control in accordance with the Accounts and Audit Regulations 2015. This was also carried out on the 14th July 2022, 13th October 2022 and 24th November 2022 where the effectiveness of the Internal Audit was also considered.</p> <p>This demonstrates public finances are adequately protected and managed and evidence 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. These are published on the council's website.</p>
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including</i>	YES	The effectiveness of the internal audit was discussed by full Council at a meeting held 14 th July and as detailed above as part of the internal control. By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the

⁴ Accounts and Audit Regulations

<i>consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>		function of internal audit is to test and report to the authority on whether its system of internal control is adequate.
Additional comments:		

⁵ Practitioners Guide

Section 5 – Budgetary controls		
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		
Evidence		Internal auditor commentary
<i>Verify that budget has been properly prepared and agreed</i>	YES	The budget for 2022/2023 was agreed and set at a meeting of full council on 20 th January 2022, with the budget being set at £45,534.54.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept for 2022/2023 was set at £32,223.84 and formally approved at a meeting of full council on 20 th January 2022 which was then evidenced with the Precept Demand Form signed and submitted to Babergh & Mid Suffolk District Council. This was requested in two payments of £16,111.92 in April and September 2022.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Monthly statements summarizing the Council's receipts and payments for the year to date with balances held is submitted and considered by the Council. The reports provide evidence of comparisons between budgeted and actual income and expenditure and form the basis of approval for virements in accordance with Council's own Financial Regulations.
<i>Reserves held – general and earmarked⁶</i>	YES	The Council's accounts show a general reserve of £12,837.70 and an earmarked reserve of £12,112.76. Council is aware of the guidance as issued by Proper Practices which states that it is regarded as acceptable for a council's general (non-earmarked revenue) reserves to be equal to 3 to 12 months of Net Revenue Expenditure and ensure that the level of general reserves adopted is in accordance with its General Reserve Policy. There is no upper limit for Earmarked Reserves, but they should be held for genuine and intended purposes and their level subject to regular review and justification (at least annually).

⁶ 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

Additional comments:

Council shows good practice by following the recommended key stages as to the budgetary process to be followed for the year:

- decide the form and level of detail of the budget;
- review the current year budget and spending;
- determine the cost of spending plans;
- assess levels of income;
- bring together spending and income plans;
- provide for contingencies and consider the need for reserves;
- approve the budget;
- confirm the precept or rates and special levies; and
- review progress against the budget regularly throughout the year.

Section 6 – income controls		
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	YES	Income is recorded in accordance with Council’s Financial Regulations. A number of income items were cross checked against the cash book and bank statements and found to be in order.
<i>Is income reported to full council?</i>	YES	Income is reported to full council and recorded within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	YES	The receipt of the precept to the value of £32,223.84 was recorded in two separate payments in April and September.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	The CIL Expenditure Report was approved for publication and submission to the District Council at a meeting held 16 th March 2023.
<i>Is CIL income reported to the council?</i>	N/A	This is available to view on the Parish Councils website and details a starting balance of £320.54 with expenditure of £75.00 on an information warning road sign, leaving a remaining balance of £245.54.
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	
<i>Has an annual report been produced?</i>	YES	No income was received during the period under review.
<i>Has it been published on the authority’s website?</i>	YES	
Additional comments:		

⁷ Community Infrastructure Levy Regulations 2010

Section 7 – petty cash		
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.		
Evidence		Internal auditor commentary
<i>Is petty cash in operation?</i>	N/A	The council does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	N/A	
Additional comments:		

Section 8 – Payroll controls		
The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	YES	The Council had one employee on its payroll for the period under review. Employment contracts were not reviewed during the internal audit which was carried out remotely. The Clerks salary was reviewed at a meeting of full council at which it was agreed to a pay increase in accordance with the NALC Agreement which was also backdated.
<i>Has the Council approved salary paid?</i>	YES	
<i>Minimum wage paid?</i>	NO	
<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 Custom 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 legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	YES	The payroll function for the year under review is operated in accordance with HM Revenue and Customs guidelines. There were no deductions due to HM Revenue and Customs during the year under review.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	The clerk confirmed the council completed its re-declaration of compliance on 11 th November 2022. The council does not make any pension contributions and has opted out of the scheme. Comment: It should be recorded within the minutes that the council has carried out its duties as an employer with the Pension Regulator.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	Council approves all expenses as and when occurred.
Additional comments: 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 legislation.		

⁸ The Pension Regulator – [website click here](#)

Section 9 – Asset control		
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.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	YES	The Asset Register reflects items within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end 31 st March 2023 was £20,005.13 which shows movement in the register of £1,871.13 since the value declared for the year ending 31.03.2022. This is in accordance with the figures submitted on the Section 2 of the Accounting Statements of the Annual Governance and Accountability Return 2022/2023.
<i>Is 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>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	YES	
<i>Cross checking of insurance cover</i>	YES	
Additional comments:		

⁹ Practitioners Guide

Section 10 – bank reconciliation		
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.		
Evidence		Internal auditor commentary
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	YES	Bank Reconciliations are conducted on a monthly basis with evidence shown these to reconcile with the bank statements. Details of account balances and reconciliations are provided in the minutes at full council meetings.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end 31st March 2023 the balance across the council's accounts stood at £44,085.81.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Minutes detail account balances are recorded at full each council meeting. These are circulated to council alongside the bank reconciliations.
Additional comments:		

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	The accounts are produced on receipts and expenditure basis.
<i>Financial trail from records to presented accounts</i>	YES	There is a clear financial trail from budgeting, invoice, authorisation, payment and banking.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it will be required to complete Part 3 of the AGAR. This was presented to the auditor completed and unsigned.
<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 dates for the exercise of public rights were set as Monday 13 th June to Friday 22 nd July which included the mandatory first 10 working days of July. This was then evidenced on the council's website with the notice publicised.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure exceeding £25,000 but not exceeding £6.5 million for the year ending 31 March 2022 and published the following on a public website: <ul style="list-style-type: none"> • Internal Audit Report of the AGAR • Section 1 – Annual Governance Statement of the AGAR • Section 2 – Annual Accounting Statements of the AGAR • Section 3 – External Audit Report and Certificate. • Notice of the period for the exercise of public rights

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		<ul style="list-style-type: none">• Notice of the conclusion of audit should also be published on the website.
<i>Additional comments:</i>		

Section 12 – internal audit		
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.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	YES	The Internal Audit Report was considered by full council at a meeting held 12 th May 2022 at which it was agreed the Clerk / RFO was to produce an action plan for any recommendations. This was then considered at a further meeting held 14 th July 2022. Council took the decision to remain with its own email addresses and not obtain official gov.uk addresses. It was agreed at a meeting held 13 th October 2022, on leaving the council, councillors would complete a Declaration confirming all official business was to be deleted from personal electronic devices.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Council has reviewed the recommendations made and made its decisions accordingly.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	YES	The council confirmed the appointment of the Internal Auditor for the period under review at a meeting held 16 th March 2023.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹²</i>	YES	No issues were raised within the external report.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	As above
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e., 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.*

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	YES	The Annual Parish Council Meeting was held 12 th May 2022 with its first item on the agenda the election of the Chairman and signing of the Declaration of Acceptance of Office as specified in the councils Standing Orders.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	YES	Council has an agenda and page numbering system with minutes signed and dated as a true record of the meeting held.
<i>Is there a list of members' interests held?</i>	YES	A link is provided on the Parish Council website page taking you to the Babergh and Mid-Suffolk District Council website where evidence was seen of the Register of Interests for seven Parish Councillors.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	YES	Councils with income over £25,000 but under £200,00 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000). Council is working towards ensuring compliance with the requirements under the Transparency Code 2015.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	YES	The Council is registered with the ICO as a data controller. Registration Certificate ZA102540 expiry date 28 th April 2023.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	The council has taken steps to ensure compliancy. Documents detailed on the council's website include: Records Management Document Retention Policy (new); Privacy Statement; Privacy Notice for Website; Publication Scheme; Information Security Incident Policy; Personal Data Audit Impact Assessment; Data Protection Policy; Subject Access Request Policy (SAR); Subject Access Request Procedure (SAR).

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

¹⁴ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

¹⁵ Data Protection Act 2018

		Comment: Council should ensure these documents are reviewed and kept up to date with relevant legislation.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Partly Met	Comment: Following the previous audit at which this was a recommendation, council has taken the decision to remain with its current addresses.
<i>Is there evidence that electronic files are backed up?</i>	YES	The council has Microsoft Office 365 and is therefore able to carry out online back-ups of electronic files.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Council does not run separate committees.
Additional comments:		

Signed: *J. Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 19/04/2023

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide