

# *Public Sector Audit*

## Cottingham Parish Council

### *Internal Audit Report for the year ended 31 March 2025*

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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

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><b>Findings</b></p> <p>The cash book has been well maintained on a computerised system designed by Rialtas Business Solutions (RBS) which is a bespoke software package designed for local councils.</p> <p>➤ It is comprehensively analysed and provides all of the information required for the preparation of the year end accounts and Annual Governance and Accountability Return (AGAR).</p> <p>The accounting system ensures that it is arithmetically correct and monthly bank reconciliations, including the council's Lloyds current account, the internal petty cash account and the Nationwide Building Society, have been performed throughout the year; these confirm that the accounting system and the bank and cash balances are in agreement.</p> <p>In accordance with Government guidelines, as the council's income and expenditure has exceeded £200,000 for the third successive year, the accounting system has been converted to an Income and Expenditure basis – i.e. including debtors and creditors - with effect from the 1st April 2024.</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><b>Findings</b></p> <p>The council's Standing Orders and Financial Regulations were reviewed and approved at the meeting held on the 17th April 2025. The Models adopted reflect the latest 2025 NALC Models with minor amendments to suit the council's requirements.</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><b>Findings</b></p> <p>I have tested a large sample of payments from April 2024 to March 2025.</p> <p>I have reviewed the payments for completeness, accuracy, correct year of account, authorisation by council, classification within the council's accounts and compliance with Financial Regulations.</p> <ul style="list-style-type: none"> <li>➤ All invoices tested have been correctly recorded in the council's accounting system. Quotations were sought and received in respect of security for events in accordance with Financial Regulations. It is noted that the quotation for the maintenance of the council's CCTV lasts for three years from 1st April 2025.</li> </ul> <p>The schedule of payments presented at each meeting is signed as authorised by the Chairman. The minutes also record that the schedules showing receipts and payments each month were approved. The NALC Good Councillor's Guide to Finance and Transparency identifies that, <i>"Where electronic banking is used, arrangements should ensure that at least two people are involved in any transaction, one of whom must be a Member."</i> This requirement is satisfied by the Clerk, who is a signatory, authorising and processing all BACS payments prior to a Councillor, who is also a signatory, authorising the payment to be made via the BACS system.</p> <p>The council correctly maintains a s.137 analysis code in the accounting system. To the date of the audit £125 has been coded to this statutory power. The expenditure is appropriate for this statutory power and the total is well within the statutory limit.</p> <p>From the sample tested I have confirmed that VAT has been identified and correctly recorded in the council's accounting system for inclusion in the VAT reclaim at the year end.</p> <p>The Clerk has confirmed that no cheques have been issued during the year.</p>
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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><b>Findings</b></p> <p>The council's Risk Register was reviewed and approved at the council meeting held on the 20th June 2024. The register identifies council risks and liabilities and splits these into individual hazards that the council needs to be aware of. The Clerk has confirmed that all risks would be reviewed during the financial year with a view to focussing on key risks.</p> <p>Detailed inspection sheets are completed by Council Members, HEY volunteers and the Allotment Association, to evidence the checks undertaken. Depending on the type of asset, inspections are undertaken on a two-weekly, monthly, quarterly or six-monthly basis. Control spreadsheets are also maintained that identify council assets by ward area, any faults or actions required following the latest inspection, and the dates on which such actions were completed.</p> <p>I have reviewed the council's 2024/25 and 2025/26 insurance policy renewals, and the indemnity limits are considered to be adequate.</p> <p>I have also reviewed the council's electronic data storage arrangements and the Clerk has confirmed that all electronic data is automatically backed up to cloud storage, whether working from the office or home.</p>
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><b>Findings</b></p> <p>A detailed budget for the purpose of setting the 2024/25 Precept, was approved by council on 18th January 2024. The Clerk presented details of receipts and payments to the 31st December 2023 and the calculated budget requirement for 2023/24. It was resolved to set a Precept requirement of £213,350 for 2024/25.</p> <p>Detailed budget monitoring reports, that are automatically produced by the council's accounting system, are presented to each council meeting. They identify the original budget, income and expenditure to date, and the variation from the budgeted figures.</p>

		<p>The council's balances as at the 31st March 2025 were £143,926 of which £15,000 represented earmarked reserves for elections, allotments, staffing, bus shelter and Memorial Gardens. The balance of £128,926 represents a general balance of 50% of the 2025/26 Precept and is higher than the Government's recommended 30% of net revenue expenditure for a council the size of Cottingham Parish Council.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council may wish to consider increasing its earmarked reserves for future liabilities, such as the fabric of the council's offices, or future projects, when setting the budget for 2026/27.</li> </ul>
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><b>Findings</b></p> <p>The council's Precept of £213,350 for 2024/25 agrees to the two instalments of £106,675 received on 30/04/24 and 30/09/24.</p> <p>Apart from the Precept, the council has received income in respect of allotments, shop rent, a VAT refund, ERYC grants, Christmas Festival and Cottingham Day rides and stall hire and notice board advertising, a donation in respect of a memorial tree, a CCTV insurance claim, a refund of over overpaid pension contributions, Building Society interest and miscellaneous.</p> <p>For the sample checked documentation in respect of income received has been agreed to the accounting system, scales of charges, Council and Committee minutes and the council's rental agreement. I have reviewed the procedures for the handling of cash received on Cottingham day and I am satisfied that sufficient care was taken to ensure that sums due to the council were received and banked.</p> <p>I have agreed a large sample of charges to stall holders in respect of Cottingham Day and the income received for the Christmas Festival. All income is in accordance with the council's agreed scales of charges, supporting documentation, event spreadsheets and the accounting system.</p>

		I have also agreed a sample of income received in respect of allotments to the charges approved by council on the 17th October 2024.
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><b>Findings</b></p> <p>The council maintains a petty cash imprest system which is topped up when required. There is no fixed imprest figure and it is used very little. A cheque has previously been drawn and cashed when required to ensure that sufficient cash is available to meet short term needs. In the future the council's Debit Card can be used for this purpose.</p> <p>Cash book 2, the petty cash account within the council's accounting system, is balanced automatically by the RBS software system.</p> <p>I have reviewed petty cash payments throughout the year. All payments made are for appropriate expenditure and any VAT has been accurately recorded in the RBS accounting system.</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><b>Findings</b></p> <p>All council staff have received formal contracts of employment which contain clear terms and conditions of employment.</p> <p>I have agreed all gross salary payments from April 2024 to March 2025 to original contracts of employment, the NJC 2024/25 pay award, including back pay from the 1st April 2024, and any changes to officer's terms and conditions agreed by Personnel Committee and authorised by Full Council.</p> <p>I am required by the External Auditor to verify that the council is paying the correct employer pension contribution to NEST, the council's pension provider. I have checked and confirmed that the 15% paid for "long term" staff and the reduced 5% paid to staff during their probationary period, is correct.</p>



		Council employees have been subject to PAYE and NI regulations by using the HMRC Basic Tools software and, for the sample checked, statutory deductions have been correctly paid to HMRC.
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><b>Findings</b></p> <p>The council's asset register is maintained on a spread sheet in the correct format and was approved at the Annual Council Meeting held on the 15th May 2025.</p> <p>The register identifies the dates of purchase or acquisition, the cost or nominal value and the location of each asset and details, including the dates, of any disposals.</p> <p>I have checked and confirmed that purchases during the year have been added to the register using the correct valuation method. It is noted that the council purchased a secure metal shed for the Allotments. Following discussion during the audit it was felt to be appropriate for the council, in accordance with the spirit of the Allotments Committee minutes of the 25th July 2024, that the shed remain in the council's ownership and hence be added to the Asset Register.</p> <ul style="list-style-type: none"> <li>➤ To ensure that all new assets purchased, that exceed the de-minimus threshold of £100, have been added to the register, the Clerk has confirmed that a monthly check of all payments made is now undertaken.</li> </ul> <p>The council does not hold any investments.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The secure metal shed at the Allotments should be added to the Asset Register during the current financial year.</li> </ul>

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><b>Findings</b></p> <p>The council's accounting system produces monthly bank reconciliations for the council's current account at Lloyds Bank, the savings account at the Nationwide Building Society and internal petty cash imprest account. These are presented to each council meeting for review and approval and the minutes confirm their approval.</p> <p>I reviewed all reconciliations from April 2024 to March 2025 and agreed the month-end balances on the council's accounting system to the respective bank and Building Society statements and petty cash reconciliations.</p> <p>The Chairman has continued to sign both the bank reconciliations and respective original bank statements as evidence of verification that the month-end balances on the bank statements agree to the council's accounting system. This is considered to be best practice and an important aspect of the council's internal financial control environment.</p>
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><b>Findings</b></p> <p>The year-end statements have correctly been prepared on an income and expenditure basis and, therefore, debtors and creditors have been included.</p> <p>The RBS accounting system ensures that there is there an audit trail from underlying financial records to the year-end statements.</p> <p>The total on the Asset Register as at the 31st March 2025 agrees to the declaration in box 9, fixed assets, on the Accounting Statements on the AGAR and the declaration in box 8, total value of cash, agrees to the year-end bank reconciliation statement.</p> <p>The Interim Internal Audit Report in respect of 2024/25 was presented to the council meeting held on the on the 16th May 2024. The minutes record that the report be approved.</p>

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?	<u>Exemption Certificate</u> <b>Findings</b> The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.
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?	<u>Exercise of Public Rights</u> <b>Findings</b> 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 Accounts and Audit Regulations 2015.
14	Did the council comply with the publication requirements for the previous year's AGAR?	<u>Publication Requirements</u> <b>Findings</b> I have reviewed the council's website and confirmed that the council published all necessary documents in accordance with the Accounts and Audit Regulations 2015.
15	Has the council met its responsibilities as a Trustee?	<u>Trustee responsibilities</u> <b>Findings</b> I have seen no evidence that the council has responsibility for Trust Funds and the Clerk has confirmed that this is the case.

## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the hard work of the Clerks of the council in achieving this is acknowledged.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendation and advisory note will serve to enhance and strengthen the systems, procedures and governance arrangements already in place.

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*

28<sup>th</sup> May 2025

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