

# *Public Sector Audit*

## Cottingham Parish Council

### *Internal Audit Report for the year ended 31 March 2024*

*Public Sector Audit*

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### **Internal Audit Report for the year ended 31 March 2024**

#### 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 2024. 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.

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## Prioritisation of recommendations

In accordance with good internal audit reporting practice and the Governance and Accountability for Local Councils Practitioners Guide, the recommendations contained in this report have been prioritised. The following 'traffic light' system for the prioritisation of recommendations has been adopted: Page | 3

- Significant weakness in internal control requiring urgent attention.
- Moderate weakness in internal control requiring attention within the current year.
- Minor weakness in internal control, or matters of good practice the council may wish to consider, to be addressed within the current year.

### Distribution List

Chairman of the Council

All Members of the Council

Clerk to the Council

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The findings of the audit are summarised below

	Test	Findings and Recommendations
1	Have appropriate books of account been properly maintained throughout the year?	<p><u>Appropriate accounting records</u></p> <p><b>Findings</b></p> <p>The cash book has been well maintained on a computerised system designed by Rialtas Business Systems (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 up to the 31st March 2024; these confirm that the accounting system and bank balances are in agreement.</p> <p>As noted in the Interim Report, 2023/24 is the second year that receipts and payments have exceeded £200,000 and, in accordance with Government guidelines, the accounting system must be converted to income and expenditure - including debtors and creditors - with effect from the current financial year.</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 Finance Committee held on the 7th September 2023, reviewed and amended Financial Regulations in respect of obtaining three estimates for goods and services costing between £300 and £3,000. The decision of the Committee was confirmed and adopted by Full Council on the 21st September 2023. At this meeting Standing Orders were also reviewed and approved, with a minor amendment made in respect of residents being permitted to speak about previously submitted questions at a meeting.</p> <p>Both Standing Orders and Financial Regulations are the latest NALC Models.</p>

3	<p>Are payment controls effective and VAT properly accounted for?</p> <p>Has the council recorded s137 expenditure separately and is it within the statutory limit?</p>	<p><u>Adequate payment controls</u></p> <p><b>Findings</b></p> <p>I have tested a large sample of payments from April 2023 to March 2024.</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> <p>All invoices tested have been correctly recorded in the council's accounting system. No quotations, for purchases in excess of £3,000, were required during the period of audit, in accordance with Financial Regulations. Other quotations have been sought, however, for purchases of goods and services. It is noted that quotations will be required for the maintenance of the council's CCTV with effect from 1st April 2025.</p> <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 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. During the year £625 has been coded to this statutory power. All 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>No cheques have been issued during the year.</p>
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The council has authorised the use of Current Account debit cards for the Clerks. The cards have now been issued to the Clerks and formal Debit Card Agreements, that were reviewed and agreed at the Extraordinary Meeting of the council on the 12th December 2023, have been signed by each Clerk.

On 26 October 2023, the Levelling-up and Regeneration Act (the 2023 Act) received Royal Assent. Section 82 of the 2023 Act amends the Local Government Act 1894 (the 1894 Act) by inserting a new section 19A into the 1894 Act. Section 19A came into force on 26 December 2023.

- The government's view is that its amendment, in the form of section 19A, clarifies that the 1894 Act does not affect the discretionary powers of parish councils in England to fund church repairs or improvements or property held for an ecclesiastical charity.
- Councils will, therefore, need to consider requests in respect of church property or property held for an ecclesiastical charity as they would any other funding request. Funding powers, further to section 19A of the 1894 Act coming into force, are discretionary. Town and Parish Councils are not under any additional duties as a result of the 2023 Act and the insertion of section 19A to the 1894 Act.
- NALC's previous view on this subject (as set out in Legal Briefing L01-18 – financial assistance to the church) was that only explicit local council powers could override the prohibition in the 1894 Act to fund churches. NALC is now, therefore, withdrawing Legal Briefing L01-18, further to the Government's amendment as per section 19A which came into force on 26 December 2023. NALC has updated and reissued Legal Topic Note 31E to remove references to the prohibition, which will no longer apply since section 19A came into force. A further advice note, LO2-23, was issued by NALC on the 20th December 2023, which provides additional clarification on this subject.

**Recommendation**

- The council should take note of the change in the legal position in relation to the funding of church repairs, or improvements or property held for an ecclesiastical charity, since the introduction of the Levelling-up and Regeneration Act 2023.

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 Annual Parish Meeting held on the 18th May 2023. The register identifies council risks and liabilities and splits these into individual hazards that the council needs to be aware of.</p> <p>The Clerk has confirmed that detailed inspection sheets are completed by Council Members, HEY volunteers and the Allotment Association to evidence the checks undertaken. Such evidence is important in order to protect the council's interests in the event of injury or a claim against the council. Depending on the type of asset, inspections are undertaken on a monthly, two monthly 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 2023/24 insurance policy renewal, 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 2023/24, for the purpose of setting the 2023/24 Precept, was approved by council on 19th January 2023. The Clerk presented details of receipts and payments to the 31st December 2022 and the calculated budget requirement for 2023/24. It was resolved to increase the Precept to £25.53 per band D property resulting in a Precept requirement of £164,760 for 2023/24.</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 2023 were £116,588, of which £15,000 represented earmarked reserves for elections, allotments, staffing etc. The balance of £101,588 represents 47% of the 2024/25 Precept and is considered to be both adequate and prudent for a council the size of Cottingham Parish Council.</p>
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 £164,760 for 2023/24 agrees to the two instalments of £82,380 received on 28/04/23 and 29/09/23.</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 stall hire, a traffic management course fee reimbursement, notice board advertising, donations, dog waste bags and bank interest.</p> <ul style="list-style-type: none"> <li>➤ It is noted that the updating of the maps in the Village Notice Boards was discussed at the council meeting held on the 20th July 2023. Charges for advertising on the Notice Boards was discussed but the actual charge was not minuted.</li> </ul> <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 a rental agreement. I have reviewed the procedures for the handling of cash payments and receipts for Cottingham day; I am satisfied that sufficient care was taken to ensure that sums due to the council were received and banked and that cash payments were properly receipted and accounted for.</p> <p>I have agreed a 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 scale of charges, supporting documentation, event spreadsheets and the accounting system.</p> <p>I have agreed a sample of income received in respect of allotments to the scale of charges. No surcharge for water was due as the total annual water cost did not exceed £500.</p>



		<p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● As I am required by the External Auditor to confirm, on the Internal Audit Certificate on the AGAR, that "<i>Expected income was fully received based on correct prices</i>", the council should retrospectively confirm its decision that the cost of advertising on council Notice Boards is £100 for a standard size advert.</li> </ul>
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 has been 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.</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 from April 2023 to March 2024. All payments that have been made are 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 2023 to March 2024 to original contracts of employment, the current NJC 2023/24 pay award and changes to officers' 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 the Clerk and Deputy Clerk's rolls and the 5% paid for the Administrative Assistant's roll 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 18th May 2023.</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. Additions have been added using the correct valuation method.</p> <ul style="list-style-type: none"> <li>➤ It is noted that the ownership of 51 street lighting columns has been determined and these have now been added to the council's Asset Register and insurance schedule.</li> </ul> <p>The total on the Asset Register on the 31st March 2024 agrees to the declaration in box 9 on the Accounting Statement.</p> <p>The council does not hold any investments.</p>
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 2023 to March 2024 and agreed the month-end balances on the council's accounting system to the respective bank and Building Society statements.</p> <p>It is noted that 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</p>

		council's accounting system. This is considered to be best practice and an important aspect of the council's internal financial control environment.
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 been prepared on a receipts and payments basis and, therefore, debtors and creditors have not been included.</p> <p>As noted in section 1 of this report, the council's Gross receipts and payments exceeded £200,000 in both 2022/23 and 2023/24. As a result of this, the Government requires the council to change from a receipts and payments basis of accounting to an income and expenditure basis with effect from the 1st April 2024.</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 2024 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 2023/24 was presented to the council meeting on the 16th November 2023. The minutes record that the report be received.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>● The council should arrange for its accounting system to be changed from a receipts and payments basis to income and expenditure for 2024/25.</li> </ul>

12	If the council certified itself as exempt from an External Audit Limited Assurance Review last year, has it met the exemption criteria and correctly declared itself exempt?	<p><u>Exemption Certificate</u></p> <p><b>Findings</b> The council, correctly, did not complete an Exemption Certificate under Section 9 of the Local Audit (Smaller Authorities) Regulations 2015.</p>
13	Did the council correctly provide, during the summer, the proper opportunity for the exercise of public rights in accordance with the requirements of the Accounts and Audit Regulations 2015?	<p><u>Exercise of Public Rights</u></p> <p><b>Findings</b> I have confirmed by a review of the council's website that, during the summer of 2023, 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.</p>
14	Did the council comply with the publication requirements for the previous year's AGAR?	<p><u>Publication Requirements</u></p> <p><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.</p>
15	Has the council met its responsibilities as a Trustee?	<p><u>Trustee responsibilities</u></p> <p><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.</p>

## Executive Summary

The accounts and governance arrangements of the council have continued to be maintained to a very high standard and the assistance of the Clerks of the council in the completion of this audit was much appreciated.

The internal financial control environment within the council is excellent and the consideration and adoption of the above recommendations and advisory note will serve to further 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*

3<sup>rd</sup> May 2024

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