

## Internal Audit Report for Holton St Mary Parish Council for the year ending 31<sup>st</sup> March 2023

Clerk	Faye Hall
RFO (if different)	As above
Chairperson	Oliver Greene
Precept	£6,816.00
Income	£9,057.53
Expenditure	£6,101.13
General reserves	£8,432.00
Earmarked reserves	£9,015.50
Audit type	Annual
Auditor name	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

<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 an excel spreadsheet to form the basis of their accounting system. It provides data for analysis allowing the RFO to produce clear financial reports detailing receipts and payments and ensures that the financial transactions of the parish council are accurately recorded.
<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. Accounts are 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.
<b>Additional comments:</b>		

<b>Section 2 – Financial Regulation and Standing Orders</b>		
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.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	YES	At a meeting on 11 <sup>th</sup> May 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 Standing Orders produced by NALC in 2018 which take into account changes in legislation from those produced in 2013.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed and agreed at a council meeting held 11 <sup>th</sup> May 2022. These are available to view on the council's website and are based on the NALC 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)? <sup>1</sup>	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), the Council has appointed a person to be responsible for the administration of the financial affairs of the relevant authority. Council's own Financial Regulations (1.8) state that the Clerk is the RFO.
<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?	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 council holds a signed and dated record of online banking authorisation detailing all relevant information of dates, payee, amount, signatures of the two councillors authorising the payments and the associated minute information.
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 £0.00 and a claim made during the course of the year to HMRC to a value of £101.12 which is recorded in the cash book and evidenced in the Bank Statements.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	N/A	The council has not adopted the General Power of Competence.

<sup>2</sup> Localism Act

Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	There were no s137 payments recorded in the cash book for the period under review.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The council has no loans.
<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	This was considered for the period under review at the meeting of the council on 11 <sup>th</sup> May 2022 and covers in general terms the matters which would prevent a smaller relevant body from functioning.
<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 <b>and</b> has been reviewed on an annual basis?</i>	Partly Met	Council has insurance in place under a BHIB Policy. The insurance was discussed and cover agreed under a 3-year fixed policy at a meeting held 11 <sup>th</sup> May 2022. The policy schedule was not provided to the Internal Auditor and therefore council is reminded to ensure the level of Fidelity Guarantee meets the

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

		recommended guidelines which provides that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants. The insurance policy was discussed and agreed at a meeting of full council confirming the council currently has a 3-year fixed policy in place.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	YES	At a full council meeting on 11 <sup>th</sup> May 2022, it was evidenced that the council reviewed its Internal Control Check. This clearly 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.
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including consideration of the independence and competence of the internal auditor prior to their appointment<sup>5</sup></i>	YES	The effectiveness of the internal audit was discussed by full Council at a meeting held 13 <sup>th</sup> July 2022. By reviewing the terms of reference and effectiveness for internal audit the council has followed guidance and demonstrates that it recognises that the function of internal audit is to test and report to the authority on whether its system of internal control is adequate.
<b>Additional comments:</b>		

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

<sup>5</sup> Practitioners Guide

<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 draft budget was agreed at a meeting of council held 10 <sup>th</sup> November 2021, with this then being confirmed and set at the following Parish meeting held 12 <sup>th</sup> January 2022.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £6,816 and formally approved at a meeting of full council on 12 <sup>th</sup> January 2022. Evidence of the submission to Babergh District Council was viewed by the Internal Auditor.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Budget against actual reporting is conducted at each council meeting where it is decided if there are to be any movements in the council budget.
<i>Reserves held – general and earmarked<sup>6</sup></i>	YES	The councils accounts show a general reserve of £8,432 and an earmarked reserve of £9,015.50.
<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>	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 bank statements and minutes evidence the receipt of the precept of £6,816 as per the Council Tax Authority notification.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	YES	A CIL report for the year ended 2022/2023 is provided on the council website, detailing the following: Starting balance £7,432.97 Income £110.33 Expenditure £0.00 End balance £7,543.30
<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>	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	
<b>Additional comments:</b>		

<b>Section 8 – Payroll controls</b>		
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. 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 had 1 employee on its payroll at the period end of 31st March 2023. Employment contracts were not reviewed during the internal audit which was carried out remotely but were confirmed to be in place by the Clerk. Salary is approved by full council. No employees are on minimum wage.
<i>Has the Council approved salary paid?</i>	YES	
<i>Minimum wage paid?</i>	N/A	
<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.
<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 was operated in accordance with HM Revenue and Customs guidelines. There were no applicable deductions due to be paid to HM Revenue and Customs for the year under review. It was noted that tax payments had been made to the value of £35.80, which were then credited in November 2022.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	YES	The clerk confirmed the council is aware of its Pension responsibilities and have opted-out of the Local Government Pension Scheme.
<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.
<b>Additional comments:</b> 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.		

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

--

<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 declared value for all assets at year-end 31 <sup>st</sup> March 2023 was £2,935 which shows no movement in the Asset Register from the previous year. In accordance with proper practices, the asset register details the date of acquisition, a description, location of the asset, cost value, insured value and date of disposal.
<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	The Asset Register details annual reviews with full council agreeing no change for the period under review at a full council meeting held 11 <sup>th</sup> May 2022.
<i>Cross checking of insurance cover</i>	YES	At a meeting of council held 11 <sup>th</sup> May 2022 it was agreed the insurance covers all assets held.
<b>Additional comments:</b>		

<sup>9</sup> Practitioners Guide

<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	Bank Reconciliations are conducted at each meeting of council with a finance report detailing bank balances, and payments / receipts for that period.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances are reported at each meeting within a Financial Report and also detailed within the minutes. The balances are examined against the bank statements and signed off by the Chairman as a true record of the financial position. As at year end 31st March 2023 the balance across the council's accounts stood at £17,446.68 as recorded in the Draft Statement of Accounts.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Account balances are recorded at each meeting of the council and recorded within the minutes, with the Chairman cross referencing the bank balances and statements and signing off as a true record. This is not only good practice but also is a safeguard for the RFO and fulfils one of the authority's internal control objectives

<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	The accounts are produced on receipts and payments 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 AGAR<sup>10</sup> documents been completed?</i>	YES	As the Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Section 2 of Part 2 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	YES	As the Council was a smaller authority with gross income and expenditure not exceeding £25,000 during the year 2021/22, it was able to certify itself as exempt. At the meeting of 11 <sup>th</sup> May 2022, Council agreed that it would be exempt from an external audit due to its gross income and expenditure not exceeding £25,000.
<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 set the dates for the exercise of public rights were Thursday 30 <sup>th</sup> June to Wednesday 10 <sup>th</sup> August 2022 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? <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 as the following were published on the public website operated by the Council: <ul style="list-style-type: none"> <li>• Certificate of Exemption, page 3</li> <li>• Annual Internal Audit Report 2020/21, page 4</li> <li>• Section 1 – Annual Governance Statement 2020/21, page 5</li> <li>• Section 2 – Accounting Statements 2020/21, page 6</li> <li>• Analysis of variances</li> <li>• Bank reconciliation</li> </ul>

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

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

		<ul style="list-style-type: none"><li>• Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</li></ul>
<b><i>Additional comments:</i></b>		

<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 Council considered the previous internal audit report?</i>	YES	The Internal Audit Report was considered by full council at a meeting held 13 <sup>th</sup> July 2022.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	It is evidenced within the items raised within the Audit Report have been actioned.
<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 8 <sup>th</sup> March 2023.
<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 considered.		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?<sup>12</sup></i>	N/A	As the council was a smaller authority it was exempt from a limited assurance review and therefore no external report was issued.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	As above
<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 (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.*

<b>Section 14 – additional information</b>		
The internal auditor will look for 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>	YES	The Annual Parish Council Meeting was held 11 <sup>th</sup> 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> <sup>14</sup>	YES	Council has a rolling agenda numbering system along with an area for each page to be signed as a true record of the meeting held.
<i>Is there a list of members' interests held?</i>	<i>Partly Met</i>	Evidence was seen on the District Authority's website of the Register of Interests for current Parish Councillors. Council is reminded that whilst the monitoring officer of the District Council must arrange for the Parish Council's register of members' interests to be available, where the Parish Council has its own website, its register of members' interests must also be published on that website. (Openness and transparency on personal interests - A guide for councillors – August 2012)
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	The council has no trustee responsibilities.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	<i>Partly Met</i>	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website for the year 2021/2022 not later than 1 July: <ul style="list-style-type: none"> <li>• Internal Audit Report</li> <li>• List of Councillors and Responsibilities</li> <li>• End of Year Accounts</li> <li>• Annual Governance Statement</li> </ul>

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

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

		<ul style="list-style-type: none"> <li>• Publish items of expenditure above £100 including recoverable and non-recoverable VAT (within minutes)</li> <li>• Asset Register</li> <li>• and 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.</li> </ul> <p><b>COMMENT:</b> Items of expenditure over £100 should also ideally be published separately and easily identifiable on the council website within its documentation.</p>
<i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>15</sup></i>	YES	The Council is registered with the ICO as a data controller. Registration Certificate ZA511950 expiry date 14 <sup>th</sup> April 2024.
Is the Council compliant with the General Data Protection Regulation requirements?	Partly Met	The council has taken steps to ensure compliancy with a document detailed on the council's website of an Internal Data Protection Policy. <b>RECOMMENDATION:</b> Council could look to adopt documents such as Consent Forms, Data Asset Register, General Privacy Notice, Privacy Notice Staff / Councillors, Security Breach Procedure and Subject Access Request Policy (SAR). Example documents are available to view on the SALC website.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>16</sup></i>	YES	The council has published a Website Accessibility Statement.
<i>Does the council have official email addresses for correspondence?<sup>17</sup></i>	YES	The clerk of the council has an official email address of hsmparishclerk@gmail.com, contact details for councillors are not provided on the council website. <b>COMMENT:</b> In accordance with the Practitioners Guide the importance of smaller authorities using secure e-mail systems and gov.uk addresses, it is recommended every authority has its own e-mail addresses which is owned by the authority rather than relying on the use of personal e-mail addresses that can change regularly. This reduces the risk of correspondence going astray or being delayed.
<i>Is there evidence that electronic files are backed up?</i>	N/A	Unable to confirm due to virtual audit.

<sup>15</sup> Data Protection Act 2018

<sup>16</sup> Website Accessibility Regulations 2018

<sup>17</sup> Practitioners Guide

<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	<i>N/A</i>	The council does not have committees
<b><i>Additional comments:</i></b>		

Signed: *J. Lawes*

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 1<sup>st</sup> June 2023

On behalf of Suffolk Association of Local Councils