

## Internal Audit Report for Theberton & Eastbridge Parish Council for the period ending 31 March 2024

Clerk	Honor Houlding
RFO (if different)	As above
Chairperson	Stephen Brett
Precept	£8,088.52
Income	£9,755.58
Expenditure	£8,894.31
General reserves	£8,016.71
Earmarked reserves	£16,150.42
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 2023/24 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 a computerised spreadsheet to form the basis of its accounts. All transactions are well referenced and provide an effective tool for the basis of the council’s internal controls.
<i>Is the ledger on the correct basis in relation to the gross income/expenditure?</i>  (under Proper Practices, Councils are required to work on an Income & Expenditure basis when their gross income, or gross expenditure, exceeds £200,000 for 3 consecutive years)	YES	Accounts are conducted on a receipts and payments basis.
<i>Is the cash book up to date and regularly verified?</i>	YES	This provides good evidence to support the council’s underlying statements.
<i>Is the arithmetic correct?</i>	YES	A number of spot checks were carried out and the functionality of the cashbook was found to be in order.
<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	<p>The Standing Orders, as seen on the Parish Council's website, were adopted at a meeting held 14<sup>th</sup> February 2024.</p> <p>Council's Standing Orders are based on the latest model published by the National Association of Local Councils (2018) and contain the provisions of the Model Councillor Code of Conduct as adopted by the Council. The Standing Orders are compliant with legislation and have been adapted (where they are not statutory requirements) to ensure that they are relevant to the Parish Council.</p> <p><b>RECOMMENDATION:</b> At the next annual review, Council might wish to also review the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts (Amendment) Regulations 2022 which came into force on 21<sup>st</sup> December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities. The contract value limits are to be calculated inclusive of VAT (effective from 1<sup>st</sup> January 2022).</p>
Are Financial Regulations up to date and reviewed annually?	YES	<p>Financial Regulations, as seen on the Council's website were adopted at a meeting held 13<sup>th</sup> March 2024.</p> <p><b>RECOMMENDATION:</b> NALC has released revised Financial Regulations for 2024 which council should look to adopt at its next review.</p>
Has the Council properly tailored the Financial Regulations?	YES	<p>The Council's Financial Regulations have been tailored to the Parish Council.</p>

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 (the Clerk) to be responsible for the administration of the financial affairs of the relevant authority as confirmed in Section 1.8 of the Financial Regulations.
<b><i>Additional comments:</i></b>		

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<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 random payments were cross checked against the cash book, bank statement and invoices and all were found to be authorised in accordance with Proper Practices.
Where applicable, are internet banking transactions properly recorded and approved?	YES	Internet banking is operated in accordance with the Council's own Financial Regulations and Risk Assessment and is used for the settlement of the Council's expenditure.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	Council details a total value of £317.53 VAT for 2023/2024, with a value of £306.42 claimed within the period under review, as evidenced in the bank statements as received 22 <sup>nd</sup> January 2024.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? <sup>2</sup>	N/A	Council has not adopted the General Power of Competence.
Are payments under s.137 <sup>3</sup> separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	Council did not record any s137 payments.

<sup>2</sup> Localism Act

<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 £9.93 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	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	Council reviewed its risk assessment at a meeting held 13 <sup>th</sup> December 2023 which is published on the website.
<i>Is there evidence that risks are being identified and managed?</i>	YES	Council has evidenced that it has taken steps to identify and manage financial risks.
<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>	YES	Council has insurance in place under a specialist policy for local councils with Ansvar Insurance which shows core cover for the following: Public/Products Liability £10m; Employers Liability £10m and Fidelity Guarantee of £50k. This was evidenced as reviewed by council at a meeting held 12 <sup>th</sup> July 2023.
<i>Evidence that internal controls are documented and regularly reviewed<sup>4</sup></i>	YES	Council confirmed that the financial and management systems of the council were sound and adequate and internal control arrangements were efficient and effective to address the risks associated with the management

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

		of public finances as evidenced by the internal control document published on the council website, dated 13 <sup>th</sup> March 2024.
<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	Council reviewed the scope and effectiveness of its internal audit arrangements included within its internal control.
<b>Additional comments:</b>		

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<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 budget for the year 2023/2024 was approved at the Council meeting of 14 <sup>th</sup> December 2022.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £8,088.52 for 2023/2024, as confirmed at the above meeting, with the paperwork demonstrating that this was a 5% change over that set the previous year.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Council notes regular reviews of the budget against expenditure and income.
<i>Reserves held – general and earmarked<sup>6</sup></i>	YES	The Council, as at year-end, had General Reserves of £8,016.71 and Earmarked Reserves of £16,150.42.
<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.
<i>Is income reported to full council?</i>	YES	In accordance with the Council’s Standing Orders, income received is reported to full Council within its Financial Position report.
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	YES	Council received precept in the sum of £8,088.52.00 from East Suffolk Council. Evidence was provided showing a full audit trail from Precept being discussed and approved to being served on the Charging Authority to remittance advice showing the Precept to be paid and receipt of same in the Council’s Bank Account.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?<sup>7</sup></i>	YES	CIL income is reported to full council within its financial reports and forms part of the earmarked reserves.
<i>Is CIL income reported to the council?</i>	YES	The annual report was approved by council at a meeting held 13 <sup>th</sup> February 2024 and evidenced as published on the council website.
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	£0.00 Starting Balance £3,876.22 Income £1,595.66 Expenditure £2,190.56 End Balance
<i>Has an annual report been produced?</i>	YES	

<sup>7</sup> Community Infrastructure Levy Regulations 2010

<i>Has it been published on the authority's website?</i>	YES	
<b><i>Additional comments:</i></b>		

<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	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. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
<b>Evidence</b>		<b>Internal auditor commentary</b>
<i>Do all employees have contracts of employment?</i>	YES	Council had 1 employee on its payroll at the period end of 31 <sup>st</sup> March 2024.  Employment contracts were not reviewed during the internal audit but the Clerk to the Council has confirmed that a Contract of Employment is in place.
<i>Has the Council approved salary paid?</i>	YES	All salary payments are presented to the Council for approval and payments made in accordance with Council's own Financial Regulations.  No employee is paid the national minimum wage.
<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 HMRC guidelines and outsourced to SALC.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	YES	The payroll function is operated in accordance with HMRC guidelines.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?<sup>8</sup></i>	NO	The clerk advised that as earnings are below £10,000 a pension re-declaration has not been completed.

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

		<b>COMMENT:</b> To ensure compliance with the Pension Regulator see attached link and complete the step by step guide on what your requirements are. <a href="#">New employers   The Pensions Regulator</a>
<i>Have pension re-declaration duties been carried out</i>	NO	As above
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	There is a satisfactory expense system in place and all staff expenses claimed are approved in accordance with Council's Financial Regulations.
<b>Additional comments:</b>		

<b>Section 9 – Asset control</b> 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.		
<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 Asset Register as approved at the meeting of 13 <sup>th</sup> March 2024 reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership. It is noted that the declared value for all assets at year-end is £88,169.04  The value of assets is included in the Asset Register.

<sup>9</sup> Practitioners Guide

<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	YES	No records of deeds, articles, land registry title number documents were viewed at the time of audit.
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Are copies of licences or leases available for assets sited at third party property?</i>	N/A	The council did not advise of any assets sited at third party locations with leases or licences.
<i>Is the asset register up to date and reviewed annually?</i>	YES	The Asset Register details annual reviews.
<i>Cross checking of insurance cover</i>	YES	Council has insurance under all risks cover for its assets as specified under generic headings on the insurance schedule.
<b><i>Additional comments:</i></b>		

<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 completed on a regular basis and reconcile with the cash sheets.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and, as at year end 31 <sup>st</sup> March 2024 the balance across the council's accounts stood at £24,167.13.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Balances across the Council's accounts are reported at each meeting of council. The minutes of meetings, demonstrate that a review of the bank reconciliation versus the bank statements has been undertaken.



<b>Section 11 – year end procedures</b>		
<b>Evidence</b>		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	YES	Accounts are produced on a receipts and payments basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	YES	There is a full audit trail from records to presented accounts.
<i>Has the appropriate end of year AGAR<sup>10</sup> documents been completed?</i>	YES	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it has completed Form 2 of the AGAR. <b>COMMENT:</b> The AGAR recommends that council 'should' receive the Internal Report prior to signing off councils' statement and accounts. <b>COMMENT:</b> Box 11a of the Accounting Statements has not been completed.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	YES	As the Council was a smaller authority with a gross income and expenditure not exceeding £25,000 for the period under review, it was able to certify itself as an exempt authority which was confirmed at a meeting of the Council 10 <sup>th</sup> May 2023.
<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	During the review of the publication requirements of the Accounts and Audit Regulations 2015, it is noted that, for the year 2022-2023, the Council correctly provided for the exercise of elector's rights. The RFO had set the dates for the inspection of the Council's accounts and associated documents as Monday 5 <sup>th</sup> June 2023 to Friday 14 <sup>th</sup> July 2023 with the date of the notice being 12 <sup>th</sup> July 2023.

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

<p><i>Have the publication requirements been met in accordance with the Regulations?<sup>11</sup></i></p>	<p>YES</p>	<p>The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website:</p> <ul style="list-style-type: none"> <li>• Certificate of Exemption, page 3</li> <li>• Annual Internal Audit Report 2022/23</li> <li>• Section 1 – Annual Governance Statement 2022/23</li> <li>• Section 2 – Accounting Statements 2022/23</li> <li>• Analysis of variances</li> <li>• Bank reconciliation</li> <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>
<p><b><i>Additional comments:</i></b></p>		

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

<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	Council considered the internal report at a meeting held 9 <sup>th</sup> August 2023.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	N/A	No recommendations were made.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	YES	SALC were appointed as the Council’s internal auditors for the year ending 31 <sup>st</sup> March 2024 at the meeting of 13 <sup>th</sup> December 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>	<i>N/A</i>	Council was exempt from a limited assurance review.
<i>Has appropriate action been taken regarding the comments raised?</i>	<i>N/A</i>	
<b><i>Additional comments:</i></b>		

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<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	Council held its Annual Meeting of the Parish Council at which the Chair and other Officers were elected on 10 <sup>th</sup> May 2023 in accordance with legislation.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> <sup>14</sup>	YES	Council is aware that that under LGA 1972 schedule 12, paragraphs 41(1) and 44 the draft minutes of a meeting should be formally approved (with any necessary amendments) at the next meeting. At each meeting, the Chair is given formal approval to sign the minutes. <b>RECOMMENDATION:</b> Council should look to approve the absences rather than just note them. This is to prevent the 6 month non-attendance disqualification period from commencing. (The reason should not be minuted – merely approved).
<i>Is there a list of members' interests held?</i>	YES	Evidence was seen on the East Suffolk Council website the Register of Interests for Parish Councillors with a direct link from the Parish Council site.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	Council does not have any Trustee Responsibilities.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	YES	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 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities

<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

		<p>Items of Expenditure Above £100 including recoverable and non-recoverable VAT                  End of Year Accounts                  Annual Governance Statement                  Asset Register                  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.</p>
<p><i>Has the Council registered with the Information Commissioner's Office (ICO)?<sup>15</sup></i></p>	<p>YES</p>	<p>The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation.                  Reference: ZA180051                      Expiry: 4<sup>th</sup> May 2024</p>
<p><i>Is the Council compliant with the General Data Protection Regulation requirements?</i></p>	<p>YES</p>	<p>Council has taken active steps to ensure compliancy with the GDPR requirements and has adopted a number of GDPR Policies that provides clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR.</p>
<p><i>Has the Council published a website accessibility statement on their website in line with Regulations?<sup>16</sup></i></p>	<p>YES</p>	<p>Council has accessibility tools on its website thereby allowing for the increased functionality of the council's website, along with a website accessibility statement detailing the technical information of the website along with the methods used for testing the website; the steps being taken to improve accessibility and how the site is being improved to ensure that content meets the WCAG 2.1 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.</p>
<p><i>Does the council have official email addresses for correspondence?<sup>17</sup></i></p>	<p>YES</p>	<p>The clerk to the council has an official email address for correspondence.</p>

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

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

<sup>17</sup> Practitioners Guide

<i>Is there evidence that electronic files are backed up?</i>	YES	Councils risk assessment advises a backup of data is taken and stored on Google Cloud. The clerk also advised they have a secondary hard drive which is backed up on to monthly.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Council does not operate with a committee system.
<b>Additional comments:</b>		

Signed: **J. Lawes**

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 7<sup>th</sup> July 2024

On behalf of Suffolk Association of Local Councils