

Internal Audit Report for Horham and Athelington Parish Council for the period ending 31 March 2024

Clerk	Michelle Salazar
RFO (if different)	As above
Chairperson	Andy Clark
Precept	£3,000
Income	£12,287
Expenditure	£4,061
General reserves	£4,063.20
Earmarked reserves	£8,435.38 (CIL Funds)
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

Section 1 – proper bookkeeping The internal auditor will look at the methods and processes used to manage the council's accounts and in particular that it provides clear data for reporting and monitoring purposes. This includes checking information is accurate, kept up to date, referenced and verified.		<i>Internal auditor commentary</i>
Evidence		
<i>Is the ledger maintained and up to date?</i>	YES	The council uses an excel 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.
Additional comments:		

Section 2 – Financial Regulation and Standing Orders The internal auditor will check the date the Council conducted its annual review of both Standing Orders and Financial Regulations and in particular check if these are based on NALC'S latest model which include legislative changes.		<i>Internal auditor commentary</i>
Evidence		
Have Standing Orders been adopted, up to date and reviewed annually?	YES	Council reviewed and approved its Standing Orders at a meeting held 25 th July 2023, these are published on the council website. 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. COMMENT: Council should look to review the document, (where they are not statutory requirements) to ensure that they are relevant to the Parish Council. Items in (brackets) are to be made relevant to the Parish Council.
Are Financial Regulations up to date and reviewed annually?	YES	Council reviewed and approved its Financial Regulations at a meeting held 25 th July 2023, as evidenced on the council website. The Financial Regulations are based on the NALC 2019 model. RECOMMENDATION: NALC has released Financial Regulations for 2024 which council should look to adopt at its next review. As above, items in (brackets) where they are not a statutory requirement are to be adapted to be made relevant to the council.
Has the Council properly tailored the Financial Regulations?	NO	The Council's Financial Regulations have not been tailored to the Parish Council and require reviewing.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	YES	In accordance with Section 151 of the Local Government Act 1972(d) (financial administration), 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.

¹ Section 151 Local Government Act 1972 (d)

Additional comments:



<p>Section 3 – Payment controls The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.</p>			
Evidence		<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?	N/A	Council does not operate internet banking.	
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is clearly identified in the cashbook. The last recorded claim evidenced by council was in July 2021 for the period ending 31 st March 2021. RECOMMENDATION: HMRC advises you must submit your claim within 4 years after the end of the month in which you received the supply.	
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	Council has not adopted the General Power of Competence.	
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	Council did not record any s137 payments.	

² Localism Act

³ Section 137 of the Local Government Act 1972 (“the 1972 Act”) enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £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
Additional comments:		

Section 4 – Risk management The internal auditor will expect to find evidence of the management of risks from identification of what those are for each individual Council through to how these will be managed and the controls in place to mitigate these and that these have been approved by the Council.	
Evidence	Internal auditor commentary
<i>Is there evidence of risk assessment documentation?</i>	NO Council did not evidence that a risk assessment took place during the period under review. It is however noted that there is a risk assessment in place approved in the previous year.
<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 and has been reviewed on an annual basis?</i>	YES Council has insurance in place under a specialist policy for local councils with Zurich Municipal which shows core cover for the following: Public/Products Liability £10m; Employers Liability £10m and Fidelity Guarantee of £25k.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES Council has 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 of public finances. This was documented as reviewed on the 5 th June 2023, with the latest review published on the council website dated March 2024 and detailed as approved by council 28 th May 2024.
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including</i>	YES Council has reviewed the scope and effectiveness of its internal audit arrangements alongside its review of the internal controls as detailed above.

⁴ Accounts and Audit Regulations

consideration of the independence and competence of the internal auditor prior to their appointment⁵

Additional comments:

⁵ Practitioners Guide

Section 5 – Budgetary controls The internal auditor will seek verification that budgets are properly prepared, agreed and monitored. In particular they will look for evidence of good practice in that the key stages of the budgetary process have been followed		Internal auditor commentary
Evidence		
<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 31 st January 2023.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £3,000 for 2023/2024, as confirmed at the above meeting, with the paperwork demonstrating that this was a 0.44% decrease over that set the previous year.
<i>Regular reporting of expenditure and variances from budget</i>	YES	Council operates a small budget which is well managed over the course of the year. Comparisons of expenditure and income against the budget is carried out annually when giving consideration for the accounts for the coming year.
<i>Reserves held – general and earmarked⁶</i>	YES	The Council, as at year-end, had General Reserves of £4,063.20 with earmarked funds of £8,435.38 which were CIL funds.
Additional comments:		

⁶ In accordance with proper practices, the generally accepted minimum level of a Smaller Authority's General Reserve is that this should be maintained at between three (3) and twelve (12) months of Net Revenue Expenditure

Section 6 – income controls	
The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.	
Evidence	Internal auditor commentary
<i>Is income properly recorded and promptly banked?</i>	YES Income is recorded in accordance with Council's Financial Regulations.
<i>Is income reported to full council?</i>	YES In accordance with the Council's Standing Orders, income received is reported to full Council
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	YES Council received precept in the sum of £3,000 from Mid-Suffolk District 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?</i> ⁷	YES CIL income was reported to council and recorded within its minutes. The CIL balance forms its earmarked reserves.
<i>Is CIL income reported to the council?</i>	YES The Annual Report has been produced and was evidenced on the council website.
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES £0.00 Starting Balance £8,435.38 Income £0.00 Expenditure £8,435.38 End Balance
<i>Has an annual report been produced?</i>	YES

⁷ Community Infrastructure Levy Regulations 2010

Has it been published on the authority's website?

YES

Additional comments:



<p>Section 7 – petty cash The Internal Auditor will seek evidence that the Council has followed its own policies, procedures, and verification processes and that these are up to date.</p>		Internal auditor commentary	
Evidence			
Is petty cash in operation?		N/A	Council does not operate a petty cash system.
If appropriate, is there an adequate control system in place?		N/A	
Additional comments:			

Section 8 – Payroll controls The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		Internal auditor commentary
Evidence		
<i>Do all employees have contracts of employment?</i>	YES	Council had 1 employee on its payroll at the period end of 31 st 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	There are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the council has complied with its duties under legislation.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	YES	The payroll function for the year under review is operated in accordance with HM Revenue and Customs guidelines and outsourced to Suffolk Association of Local Councils. Cross-checks were completed on three payments covering salary and PAYE were found to be in order. Deductions paid to HM Revenue and Customs during the year under review were made in accordance with timescales as set out in the regulations.

<p><i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i></p>	<p>Not able to confirm</p>	<p>Council advised a re-declaration was made to the Pension Regulator in the previous year and they are aware of the pension responsibilities. Council did not submit documents for an internal audit for 2022/2023 and evidence was not provided documenting this re-declaration. COMMENT: Council should ensure that it records evidence that it has complied with its duties as an employer with regards to automatic enrolment and that it has completed and submitted a declaration of compliance to the Pension Regulator.</p>
<p><i>Have pension re-declaration duties been carried out</i></p>		<p>As above</p>
<p><i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i></p>	<p>YES</p>	<p>There is a satisfactory expense system in place and all staff expenses claimed are approved in accordance with Council's Financial Regulations.</p>
<p>Additional comments:</p>		

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

<p>Section 9 – Asset control The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location, and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.</p>	
Evidence	Internal auditor commentary
Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices? ⁹	YES The Asset Register as approved at the meeting of 31 st 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 £1,477,18.
Is the value of the assets included? (Note value for insurance purposes may differ)	YES The value of assets is included in the Asset Register.
Are records of deeds, articles, land registry title number available?	N/A No records of deeds, articles, land registry title number documents were viewed at the time of audit.
Are copies of licences or leases available for assets sited at third party property?	N/A The council did not advise of any assets sited at third party locations with leases or licences.
Is the asset register up to date and reviewed annually?	YES The Asset Register details annual reviews.
Cross checking of insurance cover	YES Council has insurance under all risks cover for its assets as specified under generic headings on the insurance schedule to a value of £10k.

⁹ Practitioners Guide

Additional comments:

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Section 10 – bank reconciliation The internal auditor will seek to establish that the Council understands and can evidence good practice and internal control mechanisms in relation to bank reconciliation.		
Evidence	Internal auditor commentary	
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Bank reconciliations were completed on a regular basis and reconcile with the cash sheets.	YES
<i>Do bank balances agree with bank statements?</i>	Bank balances agree with period end statements and, as at year end 31 st March 2024 the balance across the council's accounts stood at £13,403.81 with an outstanding payment of £60.00 giving a final year-end balance of £13,343.81. £12,394.98 Community Account £103.60 Saver Account £905.23 NS&I (the clerk was unable to provide the bank statement to evidence this figure.	YES
<i>Is there regular reporting of bank balances at Council meetings?</i>	Balances across the Council's accounts are reported at each meeting of council.	YES

Section 11 – year end procedures	
Evidence	<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 AGAR¹⁰ 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. RECOMMENDATION: The AGAR recommends that council 'should' receive the Internal Report prior to signing off councils' statement and accounts.
<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 5 th June 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 3 rd July 2023 to Friday 11 th August 2023 with the date of the notice being 2 nd July 2023.

¹⁰ Annual Governance & Accountability Return (AGAR)

<p><i>Have the publication requirements been met in accordance with the Regulations?</i>¹¹</p>	<p><i>Partly Met</i></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"> • Certificate of Exemption • Annual Internal Audit Report 2022/23 • Section 1 – Annual Governance Statement 2022/23 • Section 2 – Accounting Statements 2022/23 • Analysis of variances • Bank reconciliation • Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015. <p>COMMENT: Council did not have an Internal Audit for 2022/2023 and therefore a report was not produced.</p> <p>RECOMMENDATION: Council is required to have an independent internal audit review each year and publish the signed report on councils website.</p> <p>COMMENT: Section 2 Accounting Statements for 2023/2024 as approved at the meeting held 28th May 2024 are incorrect and require restating and bringing back to council for approval – clerk advised this was to be actioned at the July 2024 meeting.</p> <p>COMMENT: Council should note that it should publish 5 years worth of accounting records on its website detailing Sections 1 and 2 of the AGAR.</p>
<p>Additional comments:</p>		

¹¹ Accounts and Audit Regulations 2015

Section 12 – internal audit The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.			<i>Internal auditor commentary</i>
Evidence			
<i>Has the Council considered the previous internal audit report?</i>		NO	Council approved SALC to complete the internal audit review for 2022/2023 however did not submit any documentation to enable the audit to take place. RECOMMENDATION: Council is required to have an annual independent internal audit review.
<i>Has appropriate action been taken regarding the recommendations raised?</i>		NO	As above.
<i>Has the Council confirmed the appointment of an internal auditor?</i>		YES	SALC were appointed as the Council's internal auditors for 2023/2024 at its meeting held 19 th March 2024.
Additional comments:			

<p>Section 13 – external audit for the period under review The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.</p>		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous external audit report?¹²</i>	N/A	Council was exempt from a limited assurance review.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – following completion of an audit the Council should note that it is the Council as a whole (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.

Section 14 – additional information The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		<i>Internal auditor commentary</i>
Evidence	<i>Internal auditor commentary</i>	<i>Internal auditor commentary</i>
Was the annual meeting held in accordance with legislation? ¹³	Partly Met	Council held its Annual Meeting of the Parish Council at which the Chair and other Officers were elected on 5 th June 2023. RECOMMENDATION: Councils Standing Orders 5a. state In an election year, the annual meeting of the Council shall be held on or within 14 days following the day on which the councillors elected take office. Horham & Athelington Parish Council had an uncontested election on 4 th May 2023.
Is there evidence that Minutes are administered in accordance with legislation? ¹⁴	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.
Is there a list of members' interests held?	YES	Evidence was seen on the Mid-Suffolk Council website the Register of Interests for Parish Councillors. COMMENT: The link provided on the Parish Council website takes you to a 'forbidden site'. The clerk might have been logged in when creating the link. This requires re-linking.
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	Council does not have any Trustee Responsibilities.

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

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

<p><i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i></p>	<p>Partly Met</p>	<p>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:</p> <ul style="list-style-type: none"> Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement Asset Register <p>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>COMMENT: Council did not publish the Internal Audit Report, due to it not taking place in 2022/2023.</p>
<p><i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</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.</p>
<p><i>Is the Council compliant with the General Data Protection Regulation requirements?</i></p>	<p>NO</p>	<p>Council does not document any GDPR documentation on the council website with no evidence that they have taken active steps to ensure compliance with requirements</p> <p>RECOMMENDATION: Council should look to review its General Data Protection requirements and adopt GDPR Policies that provide 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?¹⁶</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</p>

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

		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.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	The clerk to the council has an official email address for correspondence. horhamathelingtonclerk@gmail.com
<i>Is there evidence that electronic files are backed up?</i>	YES	Council uses a system whereby a back-up of the council's data is taken and stored in a cloud based system.
<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.
Additional comments:		

Signed: **J. Lawes**

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 23rd July 2024

On behalf of Suffolk Association of Local Councils