

Internal Audit Report for Hasketon Parish Council for the period ending 31 March 2024

Clerk	Stephen Leckie
RFO (if different)	As above
Chairperson	Stuart Dack
Precept	£ 8,895.05
Income	£ 14,172
Expenditure	£ 33,610
General reserves	£ 4,380.07
Earmarked reserves	£5,500
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.		
Evidence		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	YES	The council uses an excel spreadsheet to manage its accounts, and ensures that the financial transactions are as accurate as reasonably practicable. 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	Council operates its account on a receipts and payments basis.
<i>Is the cash book up to date and regularly verified?</i>	YES	The cash book is up to date and regularly verified,
<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.		
Evidence		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	YES	The council reviewed its Orders at the meeting of 11 th May 2023 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.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations were reviewed by council at a meeting held 11 th May 2023 and are based on the NALC Model Financial Regulations. COMMENT: Revised Financial Regulations have now been published by NALC which council should give consideration at its next review.
Has the Council properly tailored the Financial Regulations?	YES	The Council's Financial Regulations have been tailored to the Parish Council.
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.
Additional comments:		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
<p>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 recorded and authorised in accordance with Proper Practices.
Where applicable, are internet banking transactions properly recorded and approved?	YES	Council used a combination of cheque payments and internet banking. At a meeting held 11 th January 2024 council documented the clerk instigates payments which are then directed to the mandated person for authorisation, therefore fulfilling the 2-signature requirement. A spread sheet would be kept of these actions which would be published on the minutes, stored on the computer and the printed sheet of this action signed at the next meeting. Transactions would mainly be dealt with at the meeting but could be authorised prior if urgent, as the process was fully documented.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is identified in the cash book with a claim of £1,283.04 recorded in the minutes of the meeting held 14 th September 2023 and evidenced as received in the council's bank account on 11 th July 2023.
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.

² Localism Act

Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	YES	Council adopted a s137 Policy Guidelines document at a meeting of council held 11 th May 2023.
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>	YES	The Financial Risk Assessment documentation as reviewed provides details of the risks associated with the functioning of a smaller authority and the measures that the Council will undertake to mitigate such risks. The Risk Register for the year under review was considered and adopted by full Council at its meeting of 11 th May 2023.
<i>Is there evidence that risks are being identified and managed?</i>	YES	There is evidence that the Parish Council has taken action to identify and assess risks and has considered what actions or decisions it needs to take during the year to manage in order to avoid financial or reputational consequences.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability</i>	YES	Insurance for the period under review was considered and approved by council at a meeting held 11 th May 2023.

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.

<i>and fidelity guarantee and has been reviewed on an annual basis?</i>		Insurance is held with BHIB which shows core cover for the following: Public/Products Liability £10m; Employers Liability £10m and Fidelity Guarantee of £250k.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	At the meeting of 11 th May 2023 and then 14 th May 2024, Council, in accordance with Regulation 6 of the Accounts and Audit Regulations 2015, 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.
<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 appointment⁵</i>	YES	In accordance with the Accounts and Audit Regulations 2015, the Parish Council formally reviewed the scope and effectiveness of its internal audit arrangements, evidence of which is contained within its Internal Control Policy as detailed above.
Additional comments:		

⁴ Accounts and Audit Regulations

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		
Evidence		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 17 th November 2022.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £8,895.05 for 2023/2024, as confirmed at the above meeting, with the paperwork demonstrating that this was a 1.36% decrease over that set the previous year.
<i>Regular reporting of expenditure and variances from budget</i>	YES	The minutes evidence that council reviews its expenditure and variances from the budget.
<i>Reserves held – general and earmarked⁶</i>	YES	The Council, as at year-end, had Earmarked Reserves totalling £5,500 with the balance being General Reserves of £5,000.
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. A number of items of income were cross checked against cash book and bank statement and found to be in order and recorded in accordance with Proper Practices.
<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 the financial reports submitted 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 £8,895.05 from East Suffolk Council as reported to full 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?⁷</i>	YES	£2,475.34 Starting Balance £0.00 Income £2,475.34 Expenditure £0.00 End Balance
<i>Is CIL income reported to the council?</i>	YES	The annual report was evidenced as published on the council website in accordance with regulations.
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	

⁷ Community Infrastructure Levy Regulations 2010

<i>Has an annual report been produced?</i>	YES	
<i>Has it been published on the authority's website?</i>	YES	
<i>Additional comments:</i>		

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.		
Evidence		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	
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.		
Evidence		Internal auditor commentary
<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 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 HM Revenue and Customs guidelines. 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 employment 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. 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.

<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	Council is aware of its pension responsibilities with a re-declaration to the Pension Regulator evidenced as being carried out 9 th April 2024.
<i>Have pension re-declaration duties been carried out</i>	YES	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 with any staff expenses approved in accordance with Council's Financial Regulations.
Additional comments:		

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.		
Evidence		Internal auditor commentary
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	YES	The Asset Register, as viewed on the Council's website, and as approved at the meeting of 11 th May 2023, 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 31 st March 2024 is £60,125.47. COMMENT: The figure in the Asset Register for 2022/2023 was detailed as £39,084. Council will need to determine if it should restate last year's figure,

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

⁹ Practitioners Guide

<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	YES	and if so, provide an explanation to the external auditor on the difference in value. Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2022 on the valuation of its assets and has ensured that where the acquisition value of the asset at the time of first recording is used, that method of valuation has been consistently applied.
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	Records of deeds, articles, land registry title number were not reviewed during the internal audit which was carried out via remote means.
<i>Are copies of licences or leases available for assets sited at third party property?</i>	N/A	Council has no leases or licences of assets sited on third party property.
<i>Is the asset register up to date and reviewed annually?</i>	YES	Council carries out annual reviews of its asset register as detailed above.
<i>Cross checking of insurance cover</i>	YES	Council ensures all assets are covered by its insurance.
Additional comments:		

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>	YES	Bank reconciliations are completed on a regular basis and reconcile with the cash sheets. Accounting details are published on the council website.
<i>Do bank balances agree with bank statements?</i>	YES	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 £9,880.07 as recorded in the Draft Statement of Accounts and on the Year-end Bank Reconciliation.
<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 full Council. The minutes of Full Council meetings, demonstrate that a review of the bank reconciliation versus the bank statements has been undertaken. This is not only good practice but is also a safeguard for the RFO and fulfils one of the authority's internal control objectives

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 exceeding £25,000 it will be required to complete Form 3 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 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 on 26 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 28 th June 2023 to 27 th July 2023 with the date of the notice being 26 th June 2023.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	The Council 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: Section 1 – Annual Governance Statement of the AGAR

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

	Section 2 – Accounting Statements of the AGAR Certificate Of Exemption Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.
<i>Additional comments:</i>	

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.		
Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	YES	The Internal Audit Report for the period ending 31 st March 2023 was formally considered and approved at the meeting of full Council held 26 th June 2023.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Council took action where appropriate.
<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 st March 2024 at the meeting of 14 th March 2024.
Additional comments:		

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.		
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	As above
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.		
Evidence		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	<i>Partly Met</i>	Council held its Annual Meeting of the Parish Council at which the Chair and other Officers were elected on 11 th May 2023 in accordance with legislation in place at that time, at which the LGA Model Councillor Code of Conduct 2020 was adopted. Due to a lack of attendance at the start of the meeting the election of the chairman was deferred to later within the agenda.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	<i>YES</i>	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.
<i>Is there a list of members' interests held?</i>	<i>YES</i>	Evidence was seen on the East Suffolk Council website of the Register of Interests for Parish Councillors.
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	<i>N/A</i>	Council does not have any Trustee Responsibilities.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i> <i>(note to auditor- check if the Council is a smaller authority as defined in legislation¹⁵, if it has complied with the requirements to publish certain data sets. Where a larger</i>	<i>YES</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 2019/20 not later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT

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

¹⁵ Smaller Authorities Transparency Code 2014

<p><i>authority status applies (expenditure over £200,000) has it published data in accordance with legislation ¹⁶⁾</i></p>		<p>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)?¹⁷</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. Ref: ZB347694 Expiry 6th July 2024</p>
<p><i>Is the Council compliant with the General Data Protection Regulation requirements?</i></p> <ul style="list-style-type: none"> • 	<p>YES</p>	<p>Council has taken active steps to ensure compliancy with the GDPR requirements and has adopted a number of GDPR Policies during the year 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?¹⁸</i></p>	<p>YES</p>	<p>Council has 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?¹⁹</i></p>	<p>YES</p>	<p>Council has gov.uk email addresses set up for all correspondence.</p>
<p><i>Is there evidence that electronic files are backed up?</i></p>	<p>YES</p>	<p>Electronic files are stored in the computer and backed up in the cloud and two external hard drives.</p>

¹⁶ Local Government Transparency Code 2015

¹⁷ Data Protection Act 2018

¹⁸ Website Accessibility Regulations 2018

¹⁹ Practitioners Guide

<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	<i>N/A</i>	Council does not operate with a committee system.
<i>Additional comments:</i>		

Signed: ***J. Lawes***

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: Monday 3rd June 2024

On behalf of Suffolk Association of Local Councils