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

Clerk	Elaine Day
RFO (if different)	As above
Chairperson	Edward Rolph
Precept	£ 15,080
Income	£ 31,948
Expenditure	£ 13,772
General reserves	£ 9,100
Earmarked reserves	£ 43,200
Audit type	Annual
Auditor name	Karen Hall-Price

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

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		*Internal auditor commentary*
Is the ledger maintained and up to date?	Yes	The council uses excel spreadsheets to produce reports on a Receipts and Payments basis and ensures that the financial transactions of the parish council 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
Is the ledger on the correct basis in relation to the gross income/expenditure? *(*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	The accounts are prepared on a receipts and payments basis.

Is the cash book up to date and regularly verified?	Yes	Council follows Proper Practices in ensuring to produce clear financial management information to the Council throughout the year which is referenced providing evidence to support the Council's underlying accounting statements.
Is the arithmetic correct?	Yes	A number of spot checks were carried out and the functionality of the cash book is correct. Accounting records were spot checked and are well maintained and clearly identify all payments and receipts at any given point.
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		*Internal auditor commentary*
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Standing Orders, as seen on the Parish Council's website, were updated 10th May 2023. Council's 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 partly adapted (where they are not statutory requirements) to ensure that they are relevant to the Parish Council. **Recommendation: Council should ensure that its Standing Orders are tailored to the parish council by removing the [square] sections as this creates confusion as to the intention and remove those that do not apply.** Also 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 21st 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 1st January 2022).
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations, as seen on the Parish Council's website, were updated 10th May 2023. 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 21st

		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 1st January 2022)
Has the Council properly tailored the Financial Regulations?	No	The Council's Financial Regulations have not been fully tailored to the Parish Council as there is still the use of [square] sections and in particular those sections that do not apply to the Council. **Council should ensure that its Financial Regulations are tailored to the parish council by removing the [square] sections as this creates confusion as to the intention and remove those that do not apply.**
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 reconfirmed at the meeting of 10th May 2023. *Comment: It is noted that Councils FR 1.8 still contains the square brackets thereby creating ambiguity on the role carried out by the Clerk. This was recommended at the previous audit and has not as yet been actioned.*
Additional comments:		

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.

Evidence		*Internal auditor commentary*
Is there supporting paperwork for payments with appropriate authorisation?	Yes	At each relevant full Council Meeting a list of all payments is presented to the meeting with formal approval of such expenditure being shown in the minutes and evidence of such paperwork in the files submitted for internal audit.
Where applicable, are internet banking transactions properly recorded and approved?	No	Internet banking is not operated by the Council apart from the use of direct debit to settle the council's debt with the Information Commissioner's Office.

Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is identified within the cashbook and claimed in accordance with the guidelines for local authorities and similar bodies. The outstanding year-end position of £709.52 was seen and verified against entries in the cashbooks. A claim for VAT refund covering the periods 1st March 2022 to 31st April 2023 in the sum of £854.11 was received on 12th April 2023.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly?[2]	*N/A*	Council does not use the General Power of Competence.
Are payments under s.137[3] separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Payments made under this power for the year under review totalled £1,000.00 nett and were within statutory limits and deemed by the council to be of benefit to all or some of the community.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	*N/A*	The Council has no such 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
Is there evidence of risk assessment documentation?	Yes	The risk assessment statement submitted for Internal Audit 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 Assessment for the year under review was adopted by full Council at its meeting of 13th March 2024.
Is there evidence that risks are being identified and managed?	Yes	Council is aware that risk assessment needs to focus on the safety of the parish council's assets and in particular its money. There is evidence that overall the parish council has taken action to identify and assess those 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.
Does the Council have appropriate and adequate insurance cover in place for employment, public liability	Yes	Council has insurance in place under a specialist policy for local councils with Ansvar Insurance which shows core cover for the following: Public liability: £10million; Public/Products Liability: £10million and Fidelity

*and fidelity guarantee **and** has been reviewed on an annual basis?*		Guarantee increased to £100 thousand. The Council reviewed the fidelity cover in February 2024 and increased to the next banding accordingly.
Evidence that internal controls are documented and regularly reviewed[4]	Yes	The Council has adopted an Internal Control Statement which was noted within the minutes of 10th January 2024 confirming that an internal controls review was carried out and reported back to full Council at the meeting of 10th January 2024 with confirmation that the controls operated by the Council were in place and accurately recorded the risks being managed and the sign off sheet was evidenced on the parish council website.
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[5]	Yes	The review of internal audit and its effectiveness is contained within the Internal Control Statement which was considered by the Council during the year under review at its meeting of 10th January 2024, The sign off document was available to the internal auditor via the parish council website. *Comment: by reviewing the terms of reference and effectiveness for internal audit, the council has followed guidance and demonstrated 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 - Regulation 5 of the Accounts and Audit Regulations 2015 refers.*
Additional comments:		

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

Verify that budget has been properly prepared and agreed	Yes	The budget for the year 2023-2024 was discussed at the November 22 meeting and formally approved at the Council meeting of 11th January 2023 with the supporting papers detailing the budget being set.
Verify that the precept amount has been agreed in full Council and clearly minuted	Yes	The preceptt for the year 2023-2024 was discussed at the November 22 meeting and formally approved at the Council meeting of 11th January 2023 with the supporting papers detailing the precept should remain unchanged at £15,080..
Regular reporting of expenditure and variances from budget	Yes	Finance reports are submitted to full Council detailing the actual performance against the budget during the year thereby allowing the council to take corrective action where necessary.
Reserves held – general and earmarked[6]	Yes	At year-end Council's accounts show total reserves in the sum of £52,300 with general reserves in the sum of £9,100 with earmarked reserves in the sum of £43,200.
Additional comments:		

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
Is income properly recorded and promptly banked?		
Is income reported to full council?	Yes	Income received is reported to full Council and included within the Council's Financial Statements as submitted in accordance with Council's own Standing Orders. The RFO ensures that monies received are promptly banked.
Does the precept recorded agree to the Council Tax Authority's notification?	Yes	The council received precept of £15,080 during the year under review in April and September 2023. Evidence was provided showing a full audit trail from Precept being discussed, served on the Charging Authority to receipt of same in the Council's Bank Account.
If appropriate, are CIL reporting schedules in accordance with the Regulations?[7]	Yes	During the year under review, Council received CIL receipts totalling £16,013.13 The RFO has created an Earmarked Reserve for retained CIL
Is CIL income reported to the council?	Yes	

Does unspent CIL income form part of earmarked reserves?	Yes	balances. CIL receipts received are reported to full Council within the financial reports submitted to full Council.
Has an annual report been produced?	Yes	Council's annual accounts show that there is a retained balance of £21,923.32 which has been transferred into in an Earmarked Reserve specifically allocated, in accordance with the Regulations. The Annual CIL Statement has been produced and has been presented to full Council for approval and signature.
Has it been published on the authority's website?	Yes	The Annual CIL Statement has been uploaded to the website.
Additional comments:		

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
Is petty cash in operation?	N/A	The 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.	
Evidence	Internal auditor commentary

Do all employees have contracts of employment?	Yes	The council has 1 employee on its payroll at the period end of 31st March 2024. Whilst employment contracts were not reviewed during the internal audit review, it was confirmed by the Clerk that a Contract of Employment is in place. All salary payments were authorised by the Council including the decision to implement the Nationally Agreed Pay Award (effective 1st April 2023) as taken at the meeting of 8th November 2023.
Has the Council approved salary paid?	Yes	
Minimum wage paid?	No	
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?	Yes	There were 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.
Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	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. There were no application payments due to HM Revenue and Customs during the year under review.
Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?[8]	Yes	In line with their pension responsibilities the Council has completed a re-declaration of compliance with regards to automatic enrolment duties.
Have pension re-declaration duties been carried out	Yes	Re-Declaration of Compliance under the Pensions Act was carried out in November 2022 as seen from the paperwork submitted for internal audit
Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?	Yes	All expenses / payments made are against itemised invoices submitted to and approved by full Council.
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
Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?[9]	Yes	The Asset Register was reviewed during the Internal Audit Visit for year-end and 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 on the Statement of Accounts for 31st March 2024 is stated as £84,170 (rounded) which matches the Register value of £84,169.91. Council has shown that it 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.
Is the value of the assets included? (Note value for insurance purposes may differ)	Yes	
Are records of deeds, articles, land registry title number available?	N/A	
Are copies of licences or leases available for assets sited at third party property?	N/A	
Is the asset register up to date and reviewed annually?	Yes	The figures on the Accounting Statements of the AGAR were signed off at the meeting on 8th May 2024 following a review of the asset register at the time of insurance renewal.
Cross checking of insurance cover	Yes	Council has insurance under all risks cover for its assets as per the insurance schedule seen with specific cover for one quoted item.
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

Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?	Yes	Evidence was seen showing that bank reconciliations were completed during the year and reconcile with the cash sheets. Overall there is reporting of bank balances within the financial reports submitted at each relevant meeting. *Comment: Council is aware that, in accordance with Proper Practices, the bank reconciliation is a key tool for management as it assists with the regular monitoring of cash flows which aids decision-making, particularly when there are competing priorities.*
Do bank balances agree with bank statements?	Yes	Bank balances agree with the period end statements and, as at year end (31st March 2024), the balance across the councils accounts stood at £53,072.14 as recorded in the Accounting Statements of the AGAR.
Is there regular reporting of bank balances at Council meetings?	Yes	The minutes show that bank reconciliations are given within the Financial Reports are received and accepted at each meeting.

Section 11 – year end procedures		
Evidence		*Internal auditor commentary*
Are appropriate accounting procedures used?	Yes	Accounting statements prepared during the year are produced on a Receipts and Payments basis and agree to the cashbook. All were found to be in order
Financial trail from records to presented accounts	Yes	There is a clear audit trail from the financial records held to the presented accounts.
Has the appropriate end of year AGAR[10] documents been completed?	Yes	As Council is a smaller authority with gross income and expenditure exceeding £25,000 it has completed the Annual Governance and Accountability Return Form 3 which was approved at the meeting of 8th May 2024.
Did the Council meet the exemption criteria and correctly declared itself exempt?	Yes	As the Parish Council had gross income and expenditure not exceeding £25,000 it was able to declare itself exempt from a limited assurance review

		for the year 22/23. The exception certificate is available on the parish council website
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?	Yes	The internal auditor is able to verify that the council ensured the period for the exercise of elector's rights during Summer 2023 was in accordance with the period specified within the Accounts and Audit Regulations 2015. Dates set were 5th June to 14th July 2022. All information is publicly available on the parish council website.
Have the publication requirements been met in accordance with the Regulations?[11]	Yes	The Council has complied with the requirements of the Accounts and Audit Regulations 2015 for smaller authorities with income and expenditure not exceeding £25,000 for the year ending 31st March 2023 and published the following on a public website: Annual Internal Audit Report Section 1 – Annual Governance Statement of the AGAR Section 2 – Annual Accounting Statements of the AGAR – audited figures Notice of the period for the exercise of public rights Section 3 – Certificate of Exemption
Additional comments:		

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		*Internal auditor commentary*
Has the Council considered the previous internal audit report?	Yes	
Has appropriate action been taken regarding the recommendations raised?	Partly	• **Council was recommended that 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 21st December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities for both the Standing Orders and the Financial Regulations.** • **Council was also recommended to ensure that its Standing Orders and Financial Regulations are tailored to the parish**

		council by removing the [square] sections as this creates confusion as to the intention and remove those that do not apply. The minutes of the meeting on 12th July 2023 state that this has been done but the standing orders and financial Regs that are available on the website have not been updated to reflect this.
Has the Council confirmed the appointment of an internal auditor?	Yes	SALC were appointed as the Council's internal auditors for the year ending 31st March 2024 at the meeting of 10th May 2023.
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		*Internal auditor commentary*
Has the Council considered the previous external audit report?[12]	N/A	The Council declared itself exempt from an external audit for the financial year 2022-2023. The exception certificate is available on the parish council website.
Has appropriate action been taken regarding the comments raised?	N/A	
Additional comments:		

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	*Internal auditor commentary*

Was the annual meeting held in accordance with legislation? [13]	Yes	Council held its Annual Meeting of the Parish Council at which the Chair was elected on 10th May 2023 in accordance with legislation the first item on the agenda was the election of the Chairperson.
Is there evidence that Minutes are administered in accordance with legislation? [14]	Yes	The Council's minutes are well presented and provide clear evidence of the decisions taken by the Council during the year. The minutes were not seen as a virtual audit was carried out. Full Council minutes clearly document the approval of the previous minutes and that they are duly signed. Apologies for absence were received and accepted (if appropriate).
Is there a list of members' interests held?	Partly	There is a list of Cllrs available on the parish council website but the internal auditor could not find a link to the register of interests that would be held by the monitoring officer of the district council. ***Comment: Council should be aware that whilst the monitoring officer of the District Council must arrange for the parish council's register of members' interests to be available for inspection in the district and must be published on the district council's website, where the parish council has its own website, its register of members' interests must also be published on that website or a link providing access to the District's website.*** ***(Openness and transparency on personal interests - A guide for councillors – August 2012)***
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	No such responsibilities held by the parish council.
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	Yes	Council is aware that councils with income or expenditure over £25,000 but under £200,000 are expected (but not legally required to do so) to follow the local government transparency code 2015.
Has the Council registered with the Information Commissioner's Office (ICO)?[15]	Yes	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller. Under the data Protection Act 2018 and Registration ZA129944 refers expiry date of 19/07/24
Is the Council compliant with the General Data Protection Regulation requirements?	Yes	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.
Has the Council published a website accessibility statement on their website in line with Regulations?[16]	Yes	There is a website accessibility statement available to view on the parish council website which details the technical information for the website are given along with the methods used for testing the website; 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.
Does the council have official email addresses for correspondence?[17]	Yes	Council operates with an "hpc.gmail" address for the Clerk, which is not linked to a personal email address but over which the council has no control. *Comment: Council is considering the use of a secure e-mail system with a gov.uk address thereby identifying that it has local government status and demonstrating authenticity when building trust and credibility with the public. Such an address would be owned by the parish council and would be set up once a new Clerk is appointed.*
Is there evidence that electronic files are backed up?	Yes	Council uses a system whereby a back-up of the council's data is taken and stored appropriately
Do terms of reference exist for all committees and is there evidence these are regularly reviewed?	N/A	Council does not operate a committee system
Additional comments:		

Signed: ***Karen Hall-Price***

Date of Internal Audit Visit: Date of Internal Audit Report: **07/06/24**

On behalf of Suffolk Association of Local Councils