Internal Audit Report for Holton Parish Council

for the period ending 31 March 2025

Clerk	Elaine Day
RFO (if different)	-
Chairperson	Edward Rolph
Precept	£ 15,080.00
Income	£ 17,613.00
Expenditure	£ 20,212.00
General reserves	£8,573
Earmarked reserves	£41,900
Audit type	Exempt Authority (Income and Expenditure less than £25,000)
Auditor name	**Alan Melton**

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 2024/25 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 spreadsheets to produce its accounts, which have been submitted for Internal Audit. The spreadsheet is presented to full council at all meetings. The spreadsheet and bank reconciliation present a clear picture and records for members and members of the community.
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)		The council operates a Income and Expenditure basis, which is stipulated for councils with an income of less than £200,000
Is the cash book up to date and regularly verified?	*Yes*	The cash book is reconciled regularly
Is the arithmetic correct?	*Yes*	I have spot checked the arithmetic, I can confirm the arithmetic is correct.
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 are up dated 2022 version and are up to date adopted by the council 8th May 2024 (minute 2.12)
Are Financial Regulations up to date and reviewed annually?	*Yes*	The Financial Regulations are up to date and are based on the NALC Model Financial Regulations. They were reviewed and adopted 8th May 2024 (minute 2.13) *Comment: Council should note that NALC has published a revised Model Financial Regulations March 2025*
Has the Council properly tailored the Financial Regulations?	*Yes*	The current Financial Regulations have been tailored to meet the council's requirements.
Has the Council appointed a Responsible Financial Officer (RFO)?[1]	*Yes*	The clerk is the Responsible Financial Officer. The clerk was re-affirmed as RFO 8th May 2024.
Additional comments: The council has adopted the standing orders 2025 which were released in April 2025 at the council meeting on Wed 14th May 2025.		

[1] Section 151 Local Government Act 1972 (d)

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*	A full schedule of payments was submitted for Internal Audit. The papers are submitted to the council for payment and authorisation. The Clerk/RFO has submitted a selection of paid invoices. I can confirm that they have been recorded and are correct.
Where applicable, are internet banking transactions properly recorded and approved?	*N/A*	The council does not operate internet banking. Payments are made by cheque. Cheques are raised and presented to council for approval and signatures, in accordance with the council's Financial Regulations.
Is VAT correctly identified, recorded, and claimed within time limits?	*Yes*	VAT is properly recorded in the spreadsheet cash book. A VAT re-fund was submitted on 9th April 2025 for the sum of £700.40. All invoices are listed correctly.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly?[2]	*No*	The 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?	*Yes*	The council has made s137 payments of £1,700, including: • East Anglian Air Ambulance • Halesworth Volunteer Centre • Halesworth Airfield Museum

[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 £10.81 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.*

		• Royal British Legion
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	*N/A*	*T*he council has no outstanding 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*	There is a Risk Assessment which was reviewed by the council 12th March 2025
Is there evidence that risks are being identified and managed?	*Yes*	The council has demonstrated that identified risks are managed adequately.
*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?*	*Yes*	The council has adequate insurance cover. ANSVAR Policy Number: ACY 2388480 • Public Liability £10m • Employers' Liability £10m • Fidelity Guarantee £100k • All Risks – operative – specific £1,000
Evidence that internal controls are documented and regularly reviewed[4]	*Yes*	Internal controls are documented and are effective.

[4] Accounts and Audit Regulations

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*	At the council meeting of the council 12th March 2025, minute 16.9 and in accordance with the Financial Regulations, it was agreed to appoint Suffolk Association of Local Councils
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		
Evidence		Internal auditor commentary
Verify that budget has been properly prepared and agreed	*Yes*	At the meeting of the council 10th January 2024, budget proposals were adopted by the council
Verify that the precept amount has been agreed in full Council and clearly minuted	*Yes*	At the meeting of the council 10th January 2024, it was agreed to request from East Suffolk District Council a precept of £15,080
Regular reporting of expenditure and variances from budget	*Yes*	All variances and expenditure are reported to the council at all meetings.
Reserves held – general and earmarked[6]	*Yes*	The reserves are clearly marked • General reserves £8,573 • Earmarked reserves £41,900 • A Schedule of reserves is not available
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
Is income properly recorded and promptly banked?	*Yes*	Income is recorded in accordance with Standing Orders and Financial Regulations. The Clerk/RFO has ensured that recording is in accordance with proper practises.
Is income reported to full council?	*Yes*	At all council meetings
Does the precept recorded agree to the Council Tax Authority's notification?	*Yes*	The precept was paid by East Suffolk District Council
If appropriate, are CIL reporting schedules in accordance with the Regulations?[7]	*Yes*	The council received a CIL payment of £1,823.18 from East Suffolk District Council in October 2024. The payment was reported to full council CIL Income was reported as £23,746.50 Less £6,100 paid to: Grant towards cost of new fire protection system for the Museum. Leaving a retained balance of £17,646 29th November 2024.
Is CIL income reported to the council?	*Yes*	
Does unspent CIL income form part of earmarked reserves?	*Yes*	
Has an annual report been produced?	*Yes*	
Has it been published on the authority's website?	*Yes*	
Additional comments:		

[7] Community Infrastructure Levy Regulations 2010

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?	*No*	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 one employee which is the Clerk/RFO, I have not seen a copy of the contract of employment
Has the Council approved salary paid?	*Yes*	The council has agreed and the salary and terms and conditions
Minimum wage paid?	*N/A*	The council does not operate the minimum wage
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 adequate arrangements for paying the salary, which is agreed by full council at all meetings. The council's arrangements ensure the accuracy and legitimacy of payment of salary
Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?	*Yes*	The payroll is operated by the Suffolk Association of Local Councils HMRC and NIC payments are calculated and paid to HMRC monthly All records are in accordance with HMRC guidelines..
Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?[8]	*Yes*	The council is aware of its pension obligations.
Have pension re-declaration duties been carried out	*Yes*	The re-declaration was last carried out 11th January 2023. The next re-declaration will fall due January 2026
Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?	*Yes*	All expenses are submitted to the council for authorisation and payment, in accordance with the Financial Regulations.
Additional comments:		

[8] The Pension Regulator – website click here

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*	During the Internal Audit, I examined the Asset Register. The council has a comprehensive Asset Register; the value of assets is recorded as £84,789 and is recorded on the AGAR Accounting Statements – Section 2. The council is aware of the guidance within the Governance and Accountability for Smaller Authorities. For the purpose of insurance and that the recommendations of asset value is applied. The councils Insurance Policy is adequate for the cover of all assets within the All-Risks cover. The council has no deeds or articles
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*	The council has no assts on third party property
Is the asset register up to date and reviewed annually?	*Yes*	The asset register is reviewed annually
Cross checking of insurance cover	*Yes*	I have cross checked the insurance cover and I can confirm that the insurance cover is adequate for this council.
Additional comments:		

[9] Practitioners Guide

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*	The bank reconciliation is carried out quarterly and presented to all council meetings. The council are aware of the importance of the regular reporting of bank reconciliation and publishes the reports on the council's website.
Do bank balances agree with bank statements?	*Yes*	The bank statements agree with the end of year statements. • Bank account £51,293.22 • Ledger balance £51,293.22 • Total of £50,473(is recorded on section 2 Accounting Statements AGAR) • Two unpresented cheques of £861.80 are recorded.
Is there regular reporting of bank balances at Council meetings?	*Yes*	Bank balances are recorded at all council meetings and recorded in the minutes and published.

Section 11 – year end procedures		
Evidence		*Internal auditor commentary*
Are appropriate accounting procedures used?	*Yes*	Receipts and Expenditure procedures are in accordance with the council's Finance Regulations
Financial trail from records to presented accounts	*Yes*	All accounts have been presented for Internal Audit for revue and demonstrate a clear financial trail.
Has the appropriate end of year AGAR[10] documents been completed?	*Yes*	The council is a smaller authority with an income and expenditure level less that £25,000. The council will be required to submit a Annual Governance and Accounting Statement (AGAR) Form 2. The Accounting Statements were approved by full council on 14th May 2025
Did the Council meet the exemption criteria and correctly declared itself exempt?	*Yes*	The council has declared it exempt as a smaller authority of less than £25,000 receipt and expenditure.
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 council adequately published the notice of public rights. The notices were published 16th April 2024 Commencement date: Monday 3rd June 2024 Ending date: Friday 12th July 2024
Have the publication requirements been met in accordance with the Regulations?[11]	*Yes*	The council has complied with the Accounts and Audit Regulations 2015 for Smaller Authorities. The following was published on the council's website: • Annual Internal Audit Report • Section 1 Annual Governance Statement- AGAR • Section 2 Annual Accounting Statements • Section 3 Certificate of Exemption • Notice of Period for the exercise of Public Rights

[10] Annual Governance & Accountability Return (AGAR)
[11] Accounts and Audit Regulations 2015

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*	The council considered the Internal and Audit 29th September 2024. (minute 6)
Has appropriate action been taken regarding the recommendations raised?	*Yes*	At the meeting of 29th September 2024, members agreed to act and to look at all the recommendations. *Comment: After examining the submitted documents and polices, posted on the council's website, I can confirm that the council has taken steps to address the previous comments and have incorporated the recommendations*.
Has the Council confirmed the appointment of an internal auditor? *Has the letter of engagement been approved by full council?*	*Yes*	The council has appointed the Suffolk Association of Local Councils as Internal Auditors at the meeting of the council 12th March 2025 (minute 16.9)
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 is an exempt authority and is not subjected to a Limited Assurance Review
Has appropriate action been taken regarding the comments raised?	*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.		
Evidence		*Internal auditor commentary*
Was the annual meeting held in accordance with legislation? [13]	*Yes*	The Annual Meeting of the Council was held on 8th May 2024 Councillor Edward Rolph was elected as Chair of the Council for the municipal year 2024/2025
Is there evidence that Minutes are administered in accordance with legislation? [14]	*Yes*	The minutes were signed at the next meeting of the council
Is there a list of members' interests held?	*Yes*	A register of members interest is held on the council's website.
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	*No*	The council has no trustee responsibilities
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	*Yes*	The council has adhered to the Transparency Code and publishes the following: • Standing Orders • Financial Regulations • Yearend accounts • All policies • Asset Register • Data Protection
Has the Council registered with the Information Commissioner's Office (ICO)?[15]	*Yes*	The council have registered with Information Commissioners Office, ZA129944. Expires 19th July 2025. Published on the council's website.
Is the Council compliant with the General Data Protection Regulation requirements?	*Yes*	The council has been diligent in ensuring compliance with GDPR requirements.
Has the Council published a website accessibility statement on their website in line with Regulations?[16]	*Yes*	Published on the council's website is a website Accessible Statement with all technical details and information. I can confirm that the WCAG 2.1

[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] Data Protection Act 2018
[16] Website Accessibility Regulations 2018

		Standard under Regulation 8 of the Public Bodies(Website and Mobile Applications) (2) Accessibility Regulations 2018
Does the council have official email addresses for correspondence?[17]	*Yes*	The clerk has a .gov.uk email addresses
Is there evidence that electronic files are backed up?	*Yes*	Documents are backed up by a general back up system and is stored appropriately
Do terms of reference exist for all committees and is there evidence these are regularly reviewed?	*N/A*	The council does not operate a committee system**.**
Additional comments:		

Signed: Alan Melton

Date of Internal Audit Visit: 19th May 2025 Date of Internal Audit Report:20th May 2025

On behalf of Suffolk Association of Local Councils

[17] Practitioners Guide