

Internal Audit Report for Three Saints South Elmham Parish Council
for the period ending 31 March 2023

Clerk	Sally Chapman
RFO (if different)	
Chairperson	John Flatt
Precept	£ 3,300
Income	£ 3,685.08
Expenditure	£ 4,000.85
General reserves	£1,625.04
Earmarked reserves	£5,014.45
Audit type	Annual
Auditor name	Linda Harley

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		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The RFO has put in place effective procedures to accurately and promptly record all financial transactions. The Council’s ledger (computerised cash sheet) is well maintained and accurate. The ledger and the minutes clearly identify the spending power used for each item, evidencing the council is operating within its mandate.
<i>Is the cash book up to date and regularly verified?</i>	Yes	Up to date accounting records are maintained throughout the year and referenced which provides evidence to support the Council's underlying accounting statements.
<i>Is the arithmetic correct?</i>	Yes	Spot checks were made and were found to be 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		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Council's Standing Orders, as seen on the website, were those reviewed at the meeting of 8/3/23 and are based on the Model Standing Orders produced by NALC in 2018. Comment: To bring their Standing Orders fully up to date Council may wish to: increase the procurement threshold from £25,000 to £30,000 to comply with the full requirements of the Public Contract Regulations 2015 updated on 21/12/2022 and review Standing Order 18 (f) relating to the value of a contract exceeding the specified threshold.
Are Financial Regulations up to date and reviewed annually?	Yes	The Council's Financial Regulations, were reviewed at a meeting on 8/3/23 and are based on the Model Financial Regulations produced by NALC in 2019. Comment: To bring their Financial Regulations fully up to date Council may wish to increase the procurement threshold from £25,000 to £30,000 to comply with the full requirements of the Public Contract Regulations 2015 updated on 21/12/2022 and update the figures relating to public contracts.
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations have been tailored to the Council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	It is noted in the Council's Internal Control Document that the Clerk is the Responsible Financial Officer.
Additional comments:		

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	The Council complies with its Financial Regulations and a sample of payments confirmed they were supported by invoices. All invoices had been initialled by 2 Councillors. At each 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. A sample taken shows that the Council had the legal power to approve payments. Payment controls are also included within the Internal Control Document.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The Council do not use internet banking.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is identified in the cash book. The claim for the period 01/04/2022 to 31/3/2023 in the sum of £115.96 was shown in the cashbook. This agrees to supporting accounting records.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The General Power of Competence has not been adopted.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	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

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 £8.82 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

		<p>spend money (subject to the statutory limit – of £8.41 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.</p> <p>Comment: The contributions to the South Elham Community News can be paid under LGA 1972 s.142 - Power for councils to publish information about the council, its services and the services provided in the area by other local authorities, government departments, charities or other voluntary organisations. Purchasing the poppy wreath can be paid under LGA 1972 s.138B - Power to support or facilitate a religious event.</p> <p>All payments made under this power are listed on the website.</p>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council has no Public Works Loan and as such incurred no interest payments for the period under review.
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 Document for the period 1 st April 2022 to 31 st March 2023 was considered at a meeting of the Parish Council on 8/3/23 and covers in general terms the matters which could possibly prevent a smaller relevant body from functioning. They have taken appropriate steps to manage those risks including the introduction of internal controls and external insurance cover.
Is there evidence that risks are being identified and managed?	Yes	Council has a Financial Risk Assessment which identifies the risks associated with ensuring that public finances are adequately protected and managed and has taken steps to mitigate such 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	General Insurance is in place under an Ansvar Commercial Policy Schedule and shows core cover including Business Interruption, Public Liability and Employer's Liability of £10m. Fidelity Guarantee Cover is £25,000 which is within the recommended guidelines of the Council's balance at 31/3/23 + the annual precept. Council reviewed its current insurance cover at the meeting of 14/9/22.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	The Council has shown that it has a sound system of internal control which facilitates the effective exercise of its functions, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk. The Council reviewed their Internal Control Statement and this was noted in the minutes of 8/3/23.
<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	The effectiveness of internal audit was discussed by full Council within the Internal Control Statement submitted and approved at a meeting of 8/3/23.
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 Council prepared and formally approved the budget for the year, prior to the setting of the precept. Details of the budget were included in the minutes of 10/11/2021.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The full Council has considered, approved and adopted the annual precept for the year. This was set at £3,300 at the same meeting
<i>Regular reporting of expenditure and variances from budget</i>	Yes	The Council receives a financial and budget report at each meeting and this is noted in the minutes.
<i>Reserves held – general and earmarked⁶</i>	Yes	Council's final accounts show general reserves in the sum of £1,625.04 with earmarked reserves in the sum of £5,014.45 . No funds for CIL are currently being held.
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	Expected income was received, properly recorded and promptly banked. A number of items of income were cross checked against cash book and bank statements and found to be in order. Comment: in accordance with Proper Practices, the Responsible Financial Officer ensures that the accounting records contain entries from day to day of all sums of money received.
<i>Is income reported to full council?</i>	Yes	All income received by the parish council is reported as part of the Financial Reports submitted by the RFO. The RFO ensures that monies received are promptly banked.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The council received precept of £3300 during the year under review. Comment: Evidence was provided showing a full audit trail from Precept being discussed and approved at the meeting of November 2021 served on the Charging Authority East Suffolk Council to receipt of same in the Council's Bank Account.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	Yes	Council received no CIL funds during the year under review. In accordance with the 2010 Regulations, the Council having received a proportion of CIL funds previously has ensured that retained balances were transferred into the Earmarked Reserve specifically allocated. Comment: Council have noted its duty to comply with the CIL Regulations to produce an annual report that details the amount of CIL funds received, spent and retained for each financial year until the funds are totally expended. Each annual report should be uploaded onto the Councils website by 31 st December. The annual report for the year ending 31 st March 2023 should be uploaded onto its
<i>Is CIL income reported to the council?</i>	Yes	
<i>Does unspent CIL income form part of earmarked reserves?</i>	Yes	
<i>Has an annual report been produced?</i>	Yes	
<i>Has it been published on the authority's website?</i>	Yes	

⁷ Community Infrastructure Levy Regulations 2010

		website by 31 st December 2023. The Council noted in their minutes of 13/7/22 and in their CIL report that CIL funds were clawbacked.
<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>	<i>N/A</i>	No petty cash is held.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
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 2023. Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. Comment: in accordance with Proper Practices, Council has ensured that the remuneration payable to all employees has been approved in advance by the Council. The Council noted in their minutes of 9/11/22 the Clerk's salary increase.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	Yes	
<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 Custom guidelines. P60 evidenced for S Chapman.
<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 was carried out and is operated in accordance with HM Revenue and Customs guidelines.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	Inline with their pension responsibilities the Council has completed a re-declaration of compliance with regards to automatic enrolment duties in September 2019. This was registered with The Pensions Regulator. The next re-declaration is due no later than 26/3/2024.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	All payments are reasonable and approved by full Council.
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
<i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i>	<i>Yes</i>	The Council's assets are properly maintained and efficiently managed. The Asset Register was reviewed during the Internal Audit for year-end and accurately 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 (31.03.2023) was £11,381. The register has been updated with any additions or disposals during the year. Comment: Council is mindful of the guidance within the Governance and Accountability for Smaller Authorities in England March 2019 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 and if/where amended, it will need to publish and provide explanations in changes in value to any previously recorded assets.
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	<i>Yes</i>	
<i>Are records of deeds, articles, land registry title number available?</i>	<i>N/A</i>	
<i>Is the asset register up to date and reviewed annually?</i>	<i>Yes</i>	The Asset Register value has been stated on the Annual Governance and Accountability Return (AGAR) which was signed at the time of Internal Audit.
<i>Cross checking of insurance cover</i>	<i>Yes</i>	The Council compared the asset register with their insurance schedule to ensure that all assets as recorded are appropriately insured. A number of items as listed under the Asset Register were reviewed against items under insurance and cover was deemed to be appropriate.
Additional comments:		

⁹ Practitioners Guide

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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>	Yes	Bank reconciliations are included within the Financial Reports noted in the minutes for each meeting.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with supporting period end statements and as at 31 st March 2023 stand at: £6,756.49 across all accounts held by the Council
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are included within the financial reports received by the Council at each meeting.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
<i>Are appropriate accounting procedures used?</i>	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.
<i>Financial trail from records to presented accounts</i>	Yes	There is a clear audit trail from the financial records held to the 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 Part 2 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	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. The Council approved the Certificate of Exemption at their meeting on 11/5/23, which was before the deadline of 30/6/2022. The Certificate has been published on the Council's website.
<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	The Internal Auditor was able to confirm the details of the arrangements for the exercise of public rights for the period ending 31 st March 2023 from 5/6/23 to 14/7/23.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The Council has complied with the requirements of the Accounts and Audit Regulations 2015, the Local Audit (Smaller Authorities) Regulations 2015 and the Transparency Code for Smaller Authorities and has published the following on a public website: Certificate of Exemption Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015. Bank Reconciliation for the period ending 31 st March 2022 Analysis of variances
<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>	<i>Yes</i>	The Internal Auditor's Report for the year ending 31 st March 2022 was considered and accepted at the meeting of the Parish Council on 11/5/23.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	<i>N/A</i>	No recommendations were raised.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	<i>Yes</i>	SALC was appointed the Council's Internal Auditor at a meeting of full Council on 11/1/23.
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 has declared itself exempt from an external audit.
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 Parish Council was held on 11/5/22 with the first item on the agenda being the election of the Chairman in accordance with the Local Government Act of 1972 Schedule 12, paragraph 7(2) and Schedule 15(2).
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. Absence was approved (if appropriate).
Is there a list of members' interests held?	Yes	Members interests are listed on the District Council's website.
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	The Council does not have any Trustee responsibilities.
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	Yes	To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council has published the following information on a public website for the year 2022/23: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT (published within the minutes of the meeting) End of Year Accounts Annual Governance Statement Details of Public Land and Building assets / asset register

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

		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.
<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	Yes	The Council is registered with the Information Commissioner's Office (ICO) as a Data Controller. Under the data Protection Act 2018 and Registration ZA362897 refers
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	Council has taken steps to ensure compliancy with the GDPR requirements and is aware that this should be monitored at all times to ensure compliancy. The Council's Privacy Notices were seen on the parish council's website. Council has completed the following documents which are also available to view on the Council's website: Data Protection Policy, General Data Protection awareness checklist for Councillors. Comment: To be fully compliant with the GDPR requirements the Council may wish to adopt a Subject Access Request Policy & Subject Access Procedure Policy
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Council has published on its website a website accessibility statement - Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No2) Accessibility Regulations 2018.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	In line with the Practitioners Guide, the Council has an official email address for correspondence threesaintssouthelmhampc@gmail.com
<i>Is there evidence that electronic files are backed up?</i>	Yes	Confirmation has been received from the Clerk of the automatic backup of files to One-Drive and the manual weekly back up of files onto a data stick.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The Council does not have any committees.
Additional comments:		

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

SALC Internal Audit Report template (v.3)

Last reviewed: 30th January 2023

Signed: *Linda Harley*

Date of Internal Audit Report: 8/5/23

On behalf of Suffolk Association of Local Councils