

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

Clerk	Linda Buckman
RFO (if different)	As above
Chairperson	David Hepper
Precept	£ 5,573.97
Income	£ 11,240.17
Expenditure	£ 21,130.75
General reserves	£ 14,463.00
Earmarked reserves	£5,922.00
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 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 council 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.
<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 accounts are based on receipts and payments.
<i>Is the cash book up to date and regularly verified?</i>	YES	Council follows Proper Practices in ensuring that its accounting procedure gives an accurate presentation of the authority's true financial position. The Responsible Financial Officer (RFO) produces clear financial management information to the Council on both a monthly and annual basis.
<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 Standing Orders, as seen on the Parish Council's website, show an adopted date of 28 th March 2023, however it is noted that Council reviewed its Orders at the meeting of 25 th March 2024. Council's 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.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations, as seen on the Council's website show a review date of 27 th March 2023, but were reviewed by council at a further meeting held 25 th March 2024 and are based on the NALC Model Financial Regulations 2019 with provisions included as outlined under LTN 87 - Procurement – March 2022. COMMENT : New Financial Regulations are being released by NALC which the council should give consideration to 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)

<p>Section 3 – Payment controls</p> <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>		
<p>Evidence</p>		
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	Internet banking is operated in accordance with the Council's own Financial Regulations and is used for the settlement of the Council's expenditure. The council has an adopted Internal Banking Policy which is published on the council website. The mandate was reviewed and updated at a meeting held 25 th September 2023.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	For the period of 1 st April 2023 to 31 st March 2024 a claim was submitted to HMRC to the value of £783.32. This was not confirmed as received at the time of audit.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	The 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?	N/A	Council has not recorded any s137 payments.
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:

<p>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.</p>		
Evidence	Internal auditor commentary	
Is there evidence of risk assessment documentation?	YES	The 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 25 th March 2024.

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>Is there evidence that risks are being identified and managed?</i>	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 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.
<i>Does the Council have appropriate and adequate insurance cover in place for employment, public liability and fidelity guarantee and has been reviewed on an annual basis?</i>	YES	Council has insurance in place under a specialist policy for local councils with Ansva which shows core cover for the following: Public/Products Liability £10m; Employers Liability £10m and Fidelity Guarantee of £50k. The insurance policy was reviewed by council at a meeting held 22 nd May 2023.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	Internal controls were discussed and reviewed at a meeting held 29 th January 2024 and then approved at a further meeting held 25 th March 2024.
<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 appointments⁵</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 adopted on 25 th March 2024.
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 discussed at the Council meeting held 28 th November 2022 and approved at a further meeting held 30 th January 2023 with details published on the council website.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £5,573.97 for 2023/2024, as confirmed at the above meeting held 28 th November 2022, with the paperwork demonstrating that although this was a slight increase over that set the previous year it would show as 0%.
<i>Regular reporting of expenditure and variances from budget</i>	YES	The minutes evidence that Council carried out its six-monthly review at meetings held 27 th November 2023 and 29 th January 2024 covering the budget for the current year with a review of income and expenditure.
<i>Reserves held – general and earmarked⁶</i>	YES	The Council, as at year-end, had Earmarked Reserves totalling £5,922 with the balance being General Reserves of £14,463.
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

<p>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.</p>		
<p>Evidence</p>	<p>Internal auditor commentary</p>	
<p><i>Is income properly recorded and promptly banked?</i></p>	<p>YES</p>	<p>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.</p>
<p><i>Is income reported to full council?</i></p>	<p>YES</p>	<p>In accordance with Standing Orders, income received is reported to full Council within the financial reports submitted to Council.</p>
<p><i>Does the precept recorded agree to the Council Tax Authority's notification?</i></p>	<p>YES</p>	<p>Council received precept in the sum of £5,573.97 from East Suffolk Council for the period under review 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.</p>
<p><i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i></p>	<p>YES</p>	<p>During the year under review, Council received CIL totalling £4,031.70. The RFO has created an Earmarked Reserve for retained CIL balances.</p>
<p><i>Is CIL income reported to the council?</i></p>	<p>YES</p>	<p>CIL receipts are reported to full Council.</p>
<p><i>Does unspent CIL income form part of earmarked reserves?</i></p>	<p>YES</p>	<p>The Annual CIL Statement is still to be presented to full Council for approval but the report for 2022/2023 was viewed on the council website. Council is aware of the need to produce and publish the CIL report within the timeframe issued by the East Suffolk Council.</p>

⁷ Community Infrastructure Levy Regulations 2010

<i>Has an annual report been produced?</i>	NO	
<i>Has it been published on the authority's website?</i>	NO	
<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>	YES	Council recorded an opening balance of £33.90 with expenditure of £5.99 giving a close balance of £27.91.
<i>If appropriate, is there an adequate control system in place?</i>	YES	Petty cash is recorded separately from that of the general accounts and recorded appropriately.
Additional comments:		

<p>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.</p>		
Evidence	Internal auditor commentary	
Do all employees have contracts of employment?	YES	Council had 1 employee on its payroll at the period end 31st 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.
Has the Council approved salary paid?	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.
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 are suitable payroll arrangements in place which ensures the accuracy and legitimacy of payments of salaries and wages, and associated liabilities and as such the council has complied with its duties under legislation.
Do salary payments include deductions for PAYE/NI? Is PAYE/NI 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. 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.

Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation? ⁸	YES	Council is aware of its pension responsibilities. There are no pension payments made.
Have pension re-declaration duties been carried out	YES	Council made its re-declaration to the Pension Regulator 30 th January 2022.
Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?	YES	There is a satisfactory expense system in place with staff expenses claimed being approved by council in accordance with Financial Regulations.
Additional comments:		

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

<p>Section 9 – Asset control</p> <p>The Internal Audit will be seeking to establish if there is a list of assets in accordance with proper practices including the date of acquisition, location, and value. This extends to checking policies (with evidence of review) and that the Council has applied the documented approach in practice. The Internal Auditor will check not only valuation processes but the existence of reserve budgets for depreciation and adequacy of insurance. A clear audit trail should be available when items are purchased including minutes to evidence approval.</p>		
<p>Evidence</p>		Internal auditor commentary
<p><i>Does the Council maintain a register of material assets it owns and manage this in accordance with proper practices?⁹</i></p>	YES	<p>The Asset Register, as viewed on the Council's website, and as approved at the meeting of 22nd May 2023 reflects those items listed under insurance and within the Parish Council's remit for maintenance and ownership.</p> <p>The asset value is included within the register.</p> <p>There are no deeds, articles or land registry documents.</p>
<p><i>Is the value of the assets included? (Note value for insurance purposes may differ)</i></p>	YES	
<p><i>Are records of deeds, articles, land registry title number available?</i></p>	N/A	
<p><i>Are copies of licences or leases available for assets sited at third party property?</i></p>	N/A	<p>Council does not have any assets sited on third party property requiring licences or leases.</p>
<p><i>Is the asset register up to date and reviewed annually?</i></p>	YES	<p>The asset register was reviewed by council at its meeting held 22nd May 2023.</p>
<p><i>Cross checking of insurance cover</i></p>	YES	<p>Council confirmed at its meeting held 22nd May 2023 that the assets were crossed checked against the insurance cover.</p>

⁹ Practitioners Guide

Additional comments:		

<p>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.</p>		
<p>Evidence</p>		
<p><i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i></p>	<p>YES</p>	<p>Internal auditor commentary Bank reconciliations are completed and reported at each meeting of council and reconcile with the cashbook.</p>
<p><i>Do bank balances agree with bank statements?</i></p>	<p>YES</p>	<p>Bank balances agree with period end statements and, as at year end 31st March 2024 the balance across the councils accounts stood at £20,384.19 as recorded in the Draft Statement of Accounts and on the Year-end Bank Reconciliation.</p>
<p><i>Is there regular reporting of bank balances at Council meetings?</i></p>	<p>YES</p>	<p>Balances across the Council's accounts are reported at each meeting of full Council.</p>

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 expenditure/ basis and all found to be in order.
<i>Financial trail from records to presented accounts</i>	YES	There is a full audit trail from records to presented accounts.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	As Council is a smaller authority with gross income and expenditure not exceeding £25,000 it will be required to complete Form 2 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 22 nd May 2023.
<i>During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?</i>	YES	During the review of the publication requirements of the Accounts and Audit Regulations 2015, it is noted that, for the year 2022-2023, the Council correctly provided for the exercise of elector's rights. The RFO had set the dates for the inspection of the Council's accounts and associated documents as Monday 5 th June 2023 to Friday 14 th July 2023 with the date of the notice being 24 th May 2023.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	The Council has complied with the requirements of the Regulations for smaller authorities with income and expenditure not exceeding £25,000 and published the following on a public website: Section 1 – Annual Governance Statement of the AGAR

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		<p>Section 2 – Accounting Statements of the AGAR Certificate of exemption Internal Audit Report Analysis of variances Bank Reconciliation Notice of the period for the exercise of public rights and other information required by Regulation 15 (2), Accounts and Audit Regulations 2015.</p>
<p>Additional comments:</p>		

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 24 th July 2023.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	YES	Council reviewed the recommendations raised and recorded at its meeting held 25 th September 2023 that these had been actioned.
<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 held 25 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.

<p>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.</p>		
<p>Evidence</p>	<p><i>Internal auditor commentary</i></p>	
<p>Was the annual meeting held in accordance with legislation? ¹³</p>	<p>YES</p>	<p>Council held its Annual Meeting of the Parish Council at which the Chair and other Officers were elected on 22nd May 2023 in accordance with legislation.</p>
<p>Is there evidence that Minutes are administered in accordance with legislation? ¹⁴</p>	<p>YES</p>	<p>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.</p>
<p>Is there a list of members' interests held?</p>	<p>YES</p>	<p>Evidence was seen on the East Suffolk Council website of the Register of Interests for all current Parish Councillors with a direct link from the Council's own website.</p>
<p>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</p>	<p>N/A</p>	<p>Council does not have any Trustee Responsibilities.</p>
<p>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</p>	<p>YES</p>	<p>To ensure compliance with the requirements of the Transparency Code for smaller authorities (turnover not exceeding £25,000), Council is aware that the following should be published on a public website no later than 1 July: Internal Audit Report List of Councillors and Responsibilities Items of Expenditure Above £100 including recoverable and non-recoverable VAT End of Year Accounts Annual Governance Statement</p>
<p><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 authority status applies (expenditure over £200,000) has it published data in accordance with legislation¹⁶)</i></p>		

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

¹⁶ Local Government Transparency Code 2015

		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.
<i>Has the Council registered with the Information Commissioner's Office (ICO) ?¹⁷</i>	YES	The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation. Reference: ZA059990
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	Council has taken active steps to ensure compliance with the GDPR requirements and has adopted GDPR policies that provide clear responsibilities and obligations of the Council in respect of the collecting, using and protecting of personal information in accordance with the provisions of the GDPR. These include: Data Protection; Privacy Statement; Data Retention and Data Held policies.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁸</i> <i>(note to auditor: in addition to the published statement is there evidence of a review, an improvement plan or if they have claimed to comply imposes a disproportionate burden that this is supported by evidence that this has been fully considered by the Council and a decision minuted with a clear understanding this must be regularly reviewed.</i>	YES	Council has accessibility tools on its website thereby allowing for the increased functionality of the council's website, along with a website accessibility statement on the Council operated website 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.
<i>Does the council have official email addresses for correspondence?¹⁹</i>	YES	The clerk to the council uses an email address clearly linked to the council, however councillor email addresses are private personal accounts.

¹⁷ Data Protection Act 2018

¹⁸ Website Accessibility Regulations 2018

¹⁹ Practitioners Guide

		<p>RECOMMENDATION: That council gives consideration to using .gov.uk email addresses for the Clerk and Councillors, thereby complying with GDPR and demonstrating that the council has an official status thereby building trust, credibility and authenticity. Click on this link to view the news blog in connection with .gov.uk domain</p>
<p>Is there evidence that electronic files are backed up?</p>	<p>YES</p>	<p>Council uses a system whereby a back-up of the council's data is taken and stored on an external hard drive.</p>
<p>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</p>	<p>N/A</p>	<p>Council does not operate with a committee system.</p>
<p>Additional comments:</p>		

Signed: **J Lawes**

Date of Internal Audit Visit: N/A

Date of Internal Audit Report: 13th May 2024

On behalf of Suffolk Association of Local Councils