

Internal Audit Report for Earl Stonham Parish Council for the period ending 31 March 2025

Clerk	Susan Edgar
RFO (if different)	Chair of the Council (Councillor Mark Gillett)
Chairperson	Councillor Mark Gillett
Precept	£7,675
Income	£13,009.05
Expenditure	£11,655.73
General reserves	£1,058
Earmarked reserves	£5,604.55
Audit type	Exempt (small authority 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		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses excel spreadsheets The recording is clear and up to date. The acting clerk has been able to prepare and present accurate and concise documents to members.
<i>Is the ledger on the correct basis in relation to the gross income/expenditure?</i>	Yes	The council is a small exempt authority, the ledger is adequate and conforms to current guidelines, councils’ standing orders and financial regulations.
<i>Is the cash book up to date and regularly verified?</i>	Yes	Fully updated and verified at meetings of the council. The relevant information includes: <ul style="list-style-type: none"> • Dates • Items • Payments • Credits • VAT
<i>Is the arithmetic correct?</i>	Yes	Cross checking has established that the arithmetic is correct.
Additional comments: The ledgers are well maintained.		

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 are up to date and were reviewed and adopted March 2024, with a review date set for March 2025, (not yet available)
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations are up to date and reviewed and adopted September 2024.
Has the Council properly tailored the Financial Regulations?	Yes	The council uses the Model Financial Regulations as a basis for the councils accounting and reporting
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	The Chair of the Council, Councillor Mark Gillett has acted as RFO. A new RFO will be in place on 1 st April 2025
Additional comments: The Model Financial Regulations are based on the NALC March 2024 version. The council should adopt the March 2025 version for 2025/2026.		

¹ Section 151 Local Government Act 1972 (d)

Section 3 – Payment controls		
<p>The internal auditor will specifically check bank reconciliation including credit/debit cards and management approval processes and evidence that internal Financial Regulations (FO) are being followed. The internal auditor will examine how regular payments are managed and specifically seek evidence that these have been brought back to the Council for verification purposes especially where the actual payment made differs from the amount previously agreed. VAT should be clearly identified including evidence that claims have been correctly managed. The internal auditor will check if the Council has a clear understanding on eligibility in relation to the General Power of Competence and that s.137 has been correctly applied and managed.</p>		
Evidence		<i>Internal auditor commentary</i>
Is there supporting paperwork for payments with appropriate authorisation?	Yes	There are supporting papers for payments and authorisation is given at bi-monthly meetings. Cross checking payments, records and banking are all reported to council
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Two members are required to authorise electronic payments after approval by council.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	The council correctly records all VAT transactions and reports to council The VAT records are correct and up to date. The last re-claim was requested on 31/03/24 for the period 1/04/2023 to 31/04/2024 for the amount of £1,353.70 There is the sum of £635.19 recorded for 2024/2025.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	No	The council does not have General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	A s137 payment of £24.49 was paid to the Royal British Legion. For wreath for Armistice Day Memorial.

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.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	There are 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
<i>Is there evidence of risk assessment documentation?</i>	Yes	There is a full Risk Assessment and Financial Risk Assessment for 2024/2025
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The Risk Assessments are reviewed annually. The Insurance Policy was reviewed on 4 th November 2024
<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	The council has a current insurance policy with Zurich. Policy number: YLL-2720928823 <ul style="list-style-type: none"> • Public liability £12m • All risks £28k • Employers’ liability £10m • Fidelity Guarantee £250k
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	Internal Controls are reviewed annually and conform to the Accounts and Audit Controls Regulations 2025
<i>Evidence that a review of the effectiveness of internal audit was conducted during the year, including</i>	Yes	The Internal Audit and Accounts were carried out for 2023/2024 by Trevor Brown CPFA. For the period 2024/2025 the council has appointed Suffolk Association of Local Councils for Internal Audit Services

⁴ Accounts and Audit Regulations

<i>consideration of the independence and competence of the internal auditor prior to their appointment⁵</i>		
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
<i>Verify that budget has been properly prepared and agreed</i>	Yes	The budget was properly prepared and approved buy full council on 8 th January 2024. There are clear details of the budget on the council’s website. The council budgeted for the sum of £11,905 for the financial year 2024/2025, a 6.56% increase from 2023/2024.
<i>Verify that the precept amount has been agreed in full Council and clearly in the minutes minute</i>	Yes	The precept request of £7,675 was agreed at the full council on 8 th January 2025.to Babergh and Mid Suffolk District Council
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Expenditure and variances are reported at all bi-monthly meetings
<i>Reserves held – general and earmarked⁶</i>	Yes	The total reserves are General Reserve £1,058.43 and Earmarked Reserves ££5,604,55. Total of £6,662.98
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	Reported at every meeting of the council.
<i>Is income reported to full council?</i>	Yes	Reported to full council at every meeting.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	Yes	The sum of £7,675 is recorded correctly and is recorded on the Accounting Statement 2024/2025 Section 2
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	There was no CIL income 2024/2025 There were no CIL payments 2024/2025
<i>Is CIL income reported to the council?</i>	N/A	
<i>Does unspent CIL income form part of earmarked reserves?</i>	N/A	
<i>Has an annual report been produced?</i>	N/A	
<i>Has it been published on the authority's website?</i>	N/A	
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
<i>Is petty cash in operation?</i>	<i>No</i>	The council does not operate a petty cash policy
<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 have agreed the terms and conditions for the employment of a new clerk. I have not had sight of the contract of employment The council has agreed the salary for the new clerk
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	N/A	The council complies with NALC agreed pay scales.
<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	Staff payments are approved by full council, the verification is to the agreed rates as advised in the NALC pay scales
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	PAYE and NIC payments are correctly calculated and paid promptly.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	The previous clerk did not belong to the pension scheme.
<i>Have pension re-declaration duties been carried out</i>	Yes	The council submitted a re-declaration of compliance and with the pensions act of 2008 on 24 th March 2024, the next declaration will be due March 2027.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	All authorised expenses are recorded in the minutes.
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>	Yes	The asset register is reviewed on an annual basis. The total assets recorded is £7,916.18
<i>Is the value of the assets included? (Note value for insurance purposes may differ)</i>	Yes	
<i>Are records of deeds, articles, land registry title number available?</i>	N/A	
<i>Are copies of licences or leases available for assets sited at third party property?</i>	N/A	
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The Asset Register was reviewed 31 st March 2025
<i>Cross checking of insurance cover</i>	Yes	The insurance is adequate to cover the assets + 50%
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
<i>Is bank reconciliation regularly completed and reconciled with the cash book and cover every account?</i>	Yes	The reconciliation of balances includes <ul style="list-style-type: none"> • Summary of balances • Details of bank account balances • Summary of income and expenditure
<i>Do bank balances agree with bank statements?</i>	Yes	The bank reconciliation for 31/03/2025 is £9,941.81 The cash book reconciliation is £9,941.81
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The bank balances and reconciliation are reported to the council at all meetings of the council.

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	In accordance with Standing Orders and Financial Regulations
<i>Financial trail from records to presented accounts</i>	Yes	Reported to council meetings and published on the council’s website.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	The council meets the exemption criteria and the Certificate of Exemption – AGAR 2024/2025 Form 2
<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 date of the inspection notice was published on 7 th June 2024 The inspection dates were Monday 10 th June 2024 to Friday 19 th July 2024
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	
Additional comments:		

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

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 council received the annual Internal Audit Report for 2023/2024 On Monday 4 th March 2024 minute ES123/23/24. The minute reads “It was agreed that the Internal Audit Control and Risk Management arrangements be reviewed and approved. The council reported at minute number ES/18/24/g - 4 th May 2024 and that no recommendations had been made.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	The council was advised to apply for exemption from a limited assurance review 2024/2025
<i>Has the Council confirmed the appointment of an internal auditor? Has the letter of engagement been approved by full council?</i>	Yes	It was agreed at the council meeting of Monday 3 rd March 2025 that Suffolk Association of Local Councils are appointed as Internal Auditors 2024/2025
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	An External Audit Report was not required for 2024/2025 as the council has an income of less than £25,000 and is exempt
<i>Has appropriate action been taken regarding the comments raised?</i>	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		<i>Internal auditor commentary</i>
<i>Was the annual meeting held in accordance with legislation?</i> ¹³	Yes	The annual Parish Council meeting took place on Monday 7 th May 2024 Councillor Mark Gillett was elected Chair for the municipal year 2024/2025
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	The minutes were recorded and published in accordance with legislation
<i>Is there a list of members' interests held?</i>	Yes	On the website of Babergh and Mid-Suffolk District Council
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	No	The council has no trustee responsibilities
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	The council has published all relevant documents on the website including: <ul style="list-style-type: none"> • Standing Orders • Financial Regulations • Vat Reconciliation • Internal Auditors Report • End of year accounts • Risk Assessments • Access of Information • Councillors' details • Data Protection Policy • Documentation Policy • Code of Conduct The council publishes all documents annually including any amendments and changes in legislation.

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

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	Yes	The council is registered with the Information Commissioners Office number ZA291180
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council complies with Data Protection Requirements
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Accessibility Statement is published on the council website. Last reviewed March 2024
<i>Does the council have official email addresses for correspondence?¹⁷</i>	No	The Clerk has a .org.uk address, councillors use personal addresses. <i>Comment: Members should consider the use of .gov.uk email addresses for all members and correspondence.</i>
<i>Is there evidence that electronic files are backed up?</i>	No	I have seen no documented evidence
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	No	The council does not have a formal committee system
<i>Additional comments: The previous Clerk resigned earlier in the year, the Chair, Councillor Mark Gillett has acted as Clerk/RFO. The new Clerk started work on 1st April 2025. Despite this, the Chair has maintained the records and finances of the council in an exemplary manner.</i>		

Signed: Alan Melton

Date of Internal Audit Visit: 22nd April 2025 Date of Internal Audit Report: 22nd April 2025
 On behalf of Suffolk Association of Local Councils

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide