

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

Clerk	Guy Harvey
RFO (if different)	-
Chairperson	Councillor Thomas Johnson
Precept	£ 16,331.00
Income	£ 18,040.40
Expenditure	£ 18,170.64
General reserves	£4,386.19
Earmarked reserves	£29,750.00
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		<i>Internal auditor commentary</i>
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses an excel spreadsheet to produce its accounts, which has 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 public.
<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	The council operates a receipts and payment basis. Which is stipulated for councils with and income and expenditure of less that £200,000
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cash book is reconciled regularly
<i>Is the arithmetic, correct?</i>	Yes	I have spot checked the arithmetic and 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		<i>Internal auditor commentary</i>
Have Standing Orders been adopted, up to date and reviewed annually?	Yes	The Standing Orders are up to date, training and induction took place to ratify and discuss Standing Orders on 5 th September 2024.
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations are based on the NALC Model Financial Regulations. <i>Comment: Council should note that NALC has published a revised Model Financial Regulations March 2025</i>
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 Finance 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		<i>Internal auditor commentary</i>
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 submitted a selection of invoices. I can confirm that they are correct and properly recorded
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The council does not operate internet banking; cheques are raised and are approved by full council for payment.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is recorded in the cash book spreadsheet; A Vat Re-Claim has been submitted for the financial year 2024/2025. The sum of £667.68 is requested. A full list of invoices was made available.
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 made a s137 payment of £1,500 towards the repair and maintenance of the Village Hall, which benefits the community

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.

		<i>Comment: It should be noted that s133 powers should apply (public buildings and village halls should apply). S137 is to be used as a last resort.</i>
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The 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
<i>Is there evidence of risk assessment documentation?</i>	Yes	There is a full and comprehensive Risk and Financial Risk Assessment which was reviewed and adopted 11 th July 2024
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The council has demonstrated that the identified risks are managed effectively. The Risk Assessment is published on the council's website.
<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 Insurance cover is provided by Zurich, Policy No. YLL-2720922663, renewed 30 th September 2025 Including: <ul style="list-style-type: none"> • Public Liability £12m • Employers Liability £10m • Fidelity Guarantee: £250k • Indemnity £250k

<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	Following the Internal Audit Report 2023/2024 There is evidence that that internal control was reviewed 16 th November 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 appointment⁵</i>	Yes	At the meeting of the council 28 th May 2024 (minute 8.2) and accordance with the Financial Regulations 2015, it was unanimously agreed to re-appoint Suffolk Association of Local Council as Internal Auditor.
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	At the meeting of the council, budget proposals were received by the council, 5 th December 2024 (minute 3)
<i>Verify that the precept amount has been agreed in full Council and clearly recorded in the minutes</i>	Yes	At the meeting 9 th January 2025 it was agreed to ask East Suffolk District Council for a precept of £16,331.00
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Regular reporting of the variances is reported at all council meetings
<i>Reserves held – general and earmarked⁶</i>	Yes	Balances on 31 st March 2025: General reserves £4386.19 Earmarked reserves £29,750 Including: Neighbourhood Plan £14,000 Various replacement and maintenance projects
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	Income is recorded in accordance with the council’s Standing Orders and Financial Regulations. The Clerk/RFO has ensured that recording is in accordance with proper practices.
<i>Is income reported to full council?</i>	Yes	At all council meetings
<i>Does the precept recorded agree to the Council Tax Authority’s notification?</i>	Yes	The precept was paid by East Suffolk District Council in accordance with ESDC guidelines
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	N/A	The council does not receive CIL payments
<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>	N/A	The council does not operate a petty cash system
<i>If appropriate, is there an adequate control system in place?</i>	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
<i>Do all employees have contracts of employment?</i>	Yes	The council has one employee on the payroll; I have not seen a copy of the Employment Contract The full council has agreed the salary and terms and conditions
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	N/A	The council does not operate the minimum wage system.
<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	There are adequate arrangements to administer payroll which is paid by standing order.
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The payroll system ensures that all HMRC and NIC are accounted for and paid accordingly.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	The council is aware of its pension responsibilities. However, the Clerk has opted not to join the pension scheme
<i>Have pension re-declaration duties been carried out</i>	No	There is no evidence that the council has a re-declaration document.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	All submitted expenses are approved by full council.
Additional comments:		

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

Section 9 – Asset control		
<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>		
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	<p>There is a full and comprehensive Asset Register. The register is available for inspection on the council's website.</p> <p>At the council meeting 7th November 2024 (minute 18) The Asset Register was reviewed and adopted</p> <p>The value of assets is calculated at £60,210 and is recorded on Accounting Statements Section 2 of the 2024/2025 AGAR</p> <p>Council is aware of the guidance for smaller authorities within the Governance and Accountability Regulations.</p> <p>Any deeds and titles were not reviewed during this Internal Audit</p> <p>The council does not have any assets located on third party property</p> <p>The Register is up to date and reviewed annually</p> <p>Cross checking, the council has adequate all risks cover for its assets</p>
<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	
<i>Cross checking of insurance cover</i>	Yes	
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 bank reconciliations are completed regularly and submitted to council meetings
<i>Do bank balances agree with bank statements?</i>	Yes	The bank statements agree with the end of year statements. Balances: Premium account £32,889.60 Community account £1,246.59 Total £34,136.19 (recorded on section 2 Accounting Statements AGAR)
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are reported at all council meetings

Section 11 – year end procedures		
Evidence		<i>Internal auditor commentary</i>
<i>Are appropriate accounting procedures used?</i>	Yes	Receipts and Expenditure procedures have been used in accordance with council's Standing Orders and Financial Regulations.
<i>Financial trail from records to presented accounts</i>	Yes	All accounts have been presented to the Internal Auditor for revue and demonstrate a clear financial trail.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	The council is a smaller authority with an income level below £25,000 and will be required to submit a Annual Governance Accountability Return (AGAR) Form 2. The Accounting Statements were approved and signed at the meeting of the council 8 th May 2025
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	The council has declared itself exempt as a smaller authority with income and expenditure of less than £25,000
<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>	No	There is no evidence that the exercise of public rights as required by the Accounts and Audit Regulations 2015 <i>Comment 1: The council has a legal duty to offer the public an inspection of all council documents/policies/accounts. The notice period is clearly set out in the guidance published with the AGAR</i> <i>Comment 2: The council have ticked "Y" on Section 1 of the Governance Section of the AGAR. The council is advised to amend assertion to "No" and to approve the amendment at a council meeting before 30th June 2025</i>
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	No	See above
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 Internal Audit Report was 2023/2024 was scrutinised by the council at the meeting 7 th November 2024.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	<i>The Internal Audit Report 2023/2024 highlighted a number of comments and recommendations. Comment: The council has carried out a thorough review of all policies and documents. The revised documents should be prominently published on the revised website.</i>
<i>Has the Council confirmed the appointment of an internal auditor? Has the letter of engagement been approved by full council?</i>	Yes	The council re-appointed Suffolk Association of Local Councils as Internal Auditors 7 th November 2024. The letter of engagement has been received by full council.
<i>Additional comments: Following the Internal Report 2023/2024, the council has demonstrated that it has “got to grips” with the issues raised. I am pleased to report that the council has now a set of policies and procedures which comply with current guidelines and current legislation. As per my comments, there is a need to publish as soon as possible.</i>		

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	As the council has an income and expenditure of less than £25,000, the council was able to declare itself exempt from a limited assurance review.
<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 council Annual General Meeting was held on 28 th May 2024 Councillor Thomas Johnson was elected as Chair for the municipal year 2024/2025
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	The minutes of the Annual General Meeting were presented for signing at the next council meeting
<i>Is there a list of members' interests held?</i>	Yes	There is a link to East Suffolk District Council website
<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	N/A	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 adhered to the Transparency code and publishes all relevant documents. Including <ul style="list-style-type: none"> • Standing Orders • Financial Regulations • Internal Audit • Yearend accounts • All policies • Asset Register • Data Protection
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	The council is correctly registered with the Information Commissioners Office
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council has adequate steps to comply with GDPR policies

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

<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	Whilst the council has a dedicated website, it is noted that there are a number of omissions. At the meeting of the council 7 th November 2024 (minute 17) members agreed to fully review the website
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	The council uses a .org email address for all council correspondence, from the clerk/RFO <i>Comment: Although not mandatory, it is recommended that the Clerk and members should consider using .gov.uk emails</i>
<i>Is there evidence that electronic files are backed up?</i>	Yes	Back up procedures are in place
<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 a committee system
<i>Additional comments:</i>		

Signed: Alan Melton

Date of Internal Audit Visit: 14th May 2025

Date of Internal Audit Report: 15th May 2025

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide