

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

Clerk	Kay Garner
RFO (if different)	
Chairperson	Malcolm Halliday
Precept	£ 27,500
Income	£ 53,508
Expenditure	£ 52,970
General reserves	£ 18,165
Earmarked reserves	£ 43,170
Audit type	Annual - Internal
Auditor name	Karen Hall-Price

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 uses excel spreadsheets to produce reports on a Receipts and Payments basis and 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	The accounts are prepared on a receipts and payments basis.

Is the cash book up to date and regularly verified?	Yes	Council follows Proper Practices in ensuring to produce clear financial management information to the Council throughout the year which is referenced providing evidence to support the Council's underlying accounting statements.
Is the arithmetic correct?	Yes	A number of spot checks were carried out and the functionality of the cash book is correct. Accounting records were spot checked and are well maintained and clearly identify all payments and receipts at any given point.
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, were updated in March 2023. Council's 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 as adopted by the Council. The Standing Orders are compliant with legislation and have been partly adapted (where they are not statutory requirements) to ensure that they are relevant to the Parish Council
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations, as seen on the Parish Council's website, were updated in March 2023. At the next annual review, Council might wish to also review the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts (Amendment) Regulations 2022 which came into force on 21st December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities. The contract value limits are to be calculated inclusive of VAT (effective from 1st January 2022)
Has the Council properly tailored the Financial Regulations?	Yes	The councils finance regulations are tailored to the parish council. At the next annual review, Council might wish to also review the Procurement Thresholds amendments (SI 2022/139) of the Public Contracts

		(Amendment) Regulations 2022 which came into force on 21st December 2022 and make the changes to the contract value limits from £25,000 to £30,000 for non-central government authorities. The contract value limits are to be calculated inclusive of VAT (effective from 1st January 2022)
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. The clerk is the RFO as detailed in the financial regulations and as agreed at the March 2023 meeting for the financial year 23-24.
Additional comments:		

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	At each relevant 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.
Where applicable, are internet banking transactions properly recorded and approved?	N/A	The council does not use internet banking. Payments are made by DDR or by the issue of cheques.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is identified within the cashbook and claimed in accordance with the guidelines for local authorities and similar bodies.. A claim for VAT refund covering the periods 1 st March 2023 to 31 st October 2023 in the sum of £5,345.65 was received on 2 nd February 2024.

Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	Council does not use the General Power of Competence.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	Yes	Payments made under this power for the year under review totalled £100 nett and were within statutory limits and deemed by the council to be of benefit to all or some of the community.
Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	N/A	The Council does not have any 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	<p>The Risk Assessment Document for the period 1st April 2023 to 31st March 2024 was considered at a meeting of the Parish Council on 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. The Council has appropriate arrangements in place for the inspection of play areas.</p> <p>Comment: Within its Risk Management Document, Council has identified a number of risks to property; finances and personnel and has taken steps to control the risk - all of which are clearly identified within the document as approved by Full Council.</p>
<i>Is there evidence that risks are being identified and managed?</i>	Yes	Council has a comprehensive 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.

		Comment: The documentation of the specific control procedures that have been adopted by the council for payments not only protects the RFO but also fulfils an internal control objective.
<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 a Zurich Commercial Policy Schedule, under a long-term agreement until March 2025, and shows core cover including Business Interruption, Public Liability £12m and Employer's Liability of £10m. Fidelity Guarantee Cover is £250,000 which is within the recommended guidelines of the Council's balance at 31/3/24 + the annual precept. Best practice would be to upload onto the parish website copies of the insurance certificates for public liability and employers liability.
<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. These were reviewed on by the Finance sub committee and reported to full council at the May 24 meeting to be reviewed again in March 25.
<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 review of internal audit was discussed at the July 23 meeting and its effectiveness is contained within the Internal Control Statement which was considered by the Council during the year under review at its meeting of 8 th May 2024. The sign off document was available to the internal auditor via the parish council website.
Additional comments:		

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 at the meeting of 11/1/2023. The minutes from the Finance committee meeting had been circulated to provide information to Councillors and are published on the website. Comment: Council shows good practice by evidencing that it has followed the recommended key stages as to the budgetary process to be followed for the year: <ul style="list-style-type: none">• decide the form and level of detail of the budget;• assess levels of income;• provide for contingencies and consider the need for reserves;• approve the budget.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Partly	The full Council has considered, approved and adopted the annual precept for the year at the January 2023 meeting. This was set at £27,500 at the same meeting. This is detailed within the finance report attached to the minutes but best practice would be to ensure it is clearly minuted within the minutes of the meeting it is agreed.
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Budgetary control is monitored by the Finance committee, with the minutes of the meetings being circulated to all Councillors. Comparisons between budgeted and actual income and expenditure is included within the documentation periodically circulated to Councillors in accordance with Council's own Standing Orders.
<i>Reserves held – general and earmarked⁶</i>	Yes	Council's final accounts show general reserves in the sum of £43,170 with earmarked reserves in the sum of £18,165.

Additional comments:

Section 6 – income controls

The internal auditor will seek evidence to ensure income is correct managed – recorded, banked, and reported and test mechanisms used to achieve this.		
Evidence		Internal auditor commentary
Is income properly recorded and promptly banked?	Yes	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.
Is income reported to full council?	Yes	Income received is reported to full Council and included within the Council's Financial Statements as submitted in accordance with Council's own Standing Orders. The RFO ensures that monies received are promptly banked.
Does the precept recorded agree to the Council Tax Authority's notification?	Yes	The council received precept of £27,500 during the year under review on 27 th April 2023. Evidence was provided showing a full audit trail from Precept being discussed, served on the Charging Authority to receipt of same in the Council's Bank Account. The precept figure of £27,500 agrees with the Council Tax Authority's notification.
If appropriate, are CIL reporting schedules in accordance with the Regulations? ⁷	N/A	The Council has not received any funds from the CIL, which is not operated within West Suffolk.
Is CIL income reported to the council?	N/A	
Does unspent CIL income form part of earmarked reserves?	N/A	
Has an annual report been produced?	N/A	
Has it been published on the authority's website?	N/A	
Additional comments:		

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 have a system of petty cash.
<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	Council had 1 employee on its payroll at the period end of 31 st March 2024 with a change of clerk noted through the year. Employment contracts were not reviewed during the internal audit, but all salary payments are authorised by full council. P60 was evidenced for the purposes of the internal audit
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	N/S	
<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 Council has robust payroll arrangements in place. The payroll function is operated within the RTI system and outsourced to SALC. Cross-checks were completed on three payments covering salary and PAYE and were found to be in order. 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 employment legislation.

<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 is operated in accordance with HM Revenue and Customs guidelines and outsourced to Suffolk Association of Local Councils.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	Yes	The May 24 meeting confirmed the 23-24 audit housekeeping actions were completed and it is reported at this meeting that the pension declaration has been completed.
<i>Have pension re-declaration duties been carried out</i>	Yes	Reported at the May 24 meeting as being completed This was registered with The Pensions Regulator and noted in the minutes of 8/3/23 – Due for re-declaration in march 2026.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	All other payments are reasonable and approved by the Council.
Additional comments:		

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 Council's assets are properly maintained and efficiently managed. The Asset Register was reviewed during the Internal Audit for year-end (minuted 8/5/24) 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 (31.03.2024) was £864,317 which agrees with box 9 of the AGAR. All assets have been stated as at the acquisition value and where assets have been gifted or where there is no known value have been given the proxy value of £1. The register has been updated with any additions or disposals during the year.
<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/S	

		Records of deeds, articles, land registry title number were not reviewed during the internal audit which was carried out via remote means
<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 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>	Yes	Council has insurance under its Parish Council insurance policy for assets under its ownership
Additional comments:		

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	Statements reconciling each of the Council's bank accounts with it's accounting records are prepared on a regular basis and reconcile with the cash sheets.
<i>Do bank balances agree with bank statements?</i>	Yes	Bank balances agree with supporting period end statements and as at 31 st March 2024 stand at: £61,499 rounded across all accounts held by the Council
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The bank balances are included in the financial reports circulated to Councillors at each meeting.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	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.
Financial trail from records to presented accounts	Yes	There is a clear audit trail from the financial records held to the presented accounts.
Has the appropriate end of year AGAR ¹⁰ documents been completed?	Yes	As Council's gross expenditure exceeds £25,000 the Council has correctly completed part 3 of the AGAR.
Did the Council meet the exemption criteria and correctly declared itself exempt?	N/A	The Council does not meet the criteria to declare itself exempt from the external audit.
During the period in question did the small authority demonstrate that it correctly provided for the exercise of public right as required by the Accounts and Audit Regulations 2015?	Yes	The internal auditor is able to verify that the council ensured the period for the exercise of elector's rights during Summer 2023 was in accordance with the period specified within the Accounts and Audit Regulations 2015. Dates set were 3 rd July to 11 th August 2023. The exercise of public rights has been set for audit year 23-24 from 17 th June 2024 – 26 th July 2024 and is in accordance with the period specified within the accounts and audit regulations 2015. All information is publicly available on the parish council website.
Have the publication requirements been met in accordance with the Regulations? ¹¹	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: Annual Internal Audit Report of the AGAR Section 1 – Annual Governance Statement of the AGAR Section 2 – Accounting Statements of the AGAR Notice of the period for the exercise of public rights and other information required by Regulation 15 (2) Accounts and Audit Regulations 2015.
Additional comments:		

Section 12 – internal audit

The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.

Evidence		<i>Internal auditor commentary</i>
<i>Has the Council considered the previous internal audit report?</i>	Yes	The review of internal audit was discussed at the July 23 meeting. It was noted that the Finance Committee would progress any actions required, and its effectiveness is contained within the Internal Control Statement which was considered by the Council during the year under review at its meeting of 8 th May 2024. The sign off document was available to the internal auditor via the parish council website
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Partly	<ul style="list-style-type: none">• The previous year AGAR was not correctly completed and submitted and advised to resubmit – This was actioned.• Recommendations for the payments to be included within the minutes has been taken on board and can be seen attached to the minutes.• Apologies are now noted within the minutes as having been accepted.• Minutes are not always numbered and although suggested that the council should consider numbering the minutes not consecutively – this has not been actioned.• Council operates with a Finance and Planning Committee but does not have terms of reference – The Council may wish to adopt terms of reference for their committees and ensure they are reviewed and adopted at each annual council meeting.
<i>Has the Council confirmed the appointment of an internal auditor?</i>	Yes	This was agreed at the May 24 meeting whereby the 23-24 audit housekeeping points were raised and agreed.
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?</i> ¹²	Yes	This was reported as received at the November 23 meeting. The Finance Committee will review the report.
<i>Has appropriate action been taken regarding the comments raised?</i>	N/A	No actions noted as part of the external audit.
Additional comments:		

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	Partly	Council held its Annual Meeting of the Parish Council at which the Chair was elected on 22nd May 2023 in accordance with legislation the first item on the agenda should have been the election of the Chairperson. The first item discussed at the May 23 meeting was to receive and accept Apologies. Similarly, the draft minutes for May 24 the appointment of the chair is item 5. This should always be the first item discussed and then the meeting can resume the normal format.
<i>Is there evidence that Minutes are administered in accordance with legislation?</i> ¹⁴	Yes	The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year. The minutes clearly document the approval of the previous minutes and that they are duly signed. Council may wish to ensure that their minute pages are consecutively numbered.
<i>Is there a list of members' interests held?</i>	Yes	There is a direct link from the Parish Council's website to the District Authority's website for the Register of Interests for all current Parish Councillors, the Registers of Interests were seen on the District's website.

<i>Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?</i>	Yes	The Parish Council acts as sole trustee for the Finbow-Ambrose Cavendish Village Sports and Recreational Trust (Charity no. 1047595). The end of year accounts was submitted for the internal audit review showing the monies distributed and receipts received. The Annual Trustee meeting was held on 8 th November 2023.
<i>Has the Transparency Code been correctly applied, and information published in accordance with current legislation?</i>	Yes	Councils with income over £25,000 but under £200,00 will be expected (but are not legally required to do so) to follow the Local Government Transparency Code 2015 (turnover exceeding £200,000). Council has published the following information on a public website for the year 2023/24: 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 Details of Public Land and Building assets / 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)?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 ZA192194 refers. The certificate was not provided for the purpose of the audit and best practice would be to make the certificate available on the parish council website – Payment documentation was made available to the internal auditor. ICO: ZA192194 – Expires 30/06/2024
<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 Impact Assessment and Data Protection & Information Management Policy;

		Subject Access Request Policy & Subject Access Procedure Policy; Data Retention and Disposal Policies. Planning policy, Privacy Statement, Safeguarding policies
<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 – in line with 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 cavvpc@outlook.com Comment: Council might wish to consider the use of a secure e-mail system with a gov.uk address thereby identifying that it has local government status and demonstrating authenticity when building trust and credibility with the public. Such an address would be owned by the parish council (section 5.16 of the Practitioners' Guide to Proper Practices – March 2021) refers.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Council uses a system whereby a back-up of the council's data is taken and stored appropriately
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	No	Council operates with a Finance and Planning Committee. Comment: Council may wish to adopt terms of reference for their committees and ensure they are reviewed and adopted at each annual council meeting.
Additional comments:		

Signed: **Karen Hall-Price**

Date of Internal Audit Visit: Date of Internal Audit Report: **17th June 2024**

On behalf of Suffolk Association of Local Councils