

Internal Audit Report for Kelsale-cum-Carlton Parish Council

for the period ending 31 March 2025

Clerk	Marie Backhouse
RFO (if different)	As above
Chairperson	Alan Revell
Precept	£24,373.00
Income	£59,890.55
Expenditure	£77,145.89
General reserves	£22,275.14
Earmarked reserves	£60,226.65
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 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 Scribe Accounting to record the financial transactions of the council. 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	In accordance with Proper Practices council operates their accounts on a payments and receipts basis.
<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 financial position and provides good evidence to support the council's underlying statements which are verified by council.
<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 26 th February 2025 and are reviewed annually. Those published on the website are the revised 2020 edition. It is noted the council carried out an additional review of the Standing Orders at a further meeting held 30 th April 2025 to incorporate the new procurement legislation and ensure consistency with the NALC Model Financial Regulations. The changes are to 18.a.v, 18.c, 18.d, and 18.f. NALC have also updated Model Standing Order (England) section 14 to better reflect Code of Conduct requirements. 14.a, 14.b, and 14.c have been removed. They have also changed the language in the document to gender-neutral terms to align with the Civility and Respect Policy.
Are Financial Regulations up to date and reviewed annually?	YES	Financial Regulations, as seen on the Council's website, are based on the NALC Model Financial Regulations 2024 with provisions included as outlined under NALC Advice Note - Procurement – 8 January 2024. These are reviewed annually with council last approving at the meeting held 26 th March 2025.
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. This is in accordance with its Financial Regulations 1.5.
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	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	The council uses internet banking for the transactions of the council. These payments are approved at full council and require dual authorisation, with the clerk being authorised to set up payments only. This is in accordance with the Risk Assessment as adopted.
Is VAT correctly identified, recorded, and claimed within time limits?	YES	VAT is correctly identified in the cashbook. Claims are made quarterly with council documenting the following: Q4 (2023/2024) 01/01/2024 - 31/03/2024 = £264.97 Q1 (2024/2025) 01/04/2024 - 30/06/2024 = £259.64 Q2 (2024/2025) 01/07/2024 - 30/09/2024 = £1,035.76

¹ Section 151 Local Government Act 1972 (d)

		Q3 (2024/2025) 01/10/2024 - 31/12/2024 = £2,272.81
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	Council did not adopt the General Power of Competency due to lack of elected members.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	Council made no s137 payments during the period under review.
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:		

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	The risk assessment documentation, financial governance and GDPR non-financial, 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 documents were reviewed on 24 th April 2024 and 30 th October 2024.

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>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 assets, and particularly its money. There is evidence that overall, 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 through Ansvar Insurance which shows core cover for the following: Public / Products Liability: £10m; Employers Liability £10m and Fidelity Guarantee of £250k. This was reviewed by full council at a meeting held 29 th May 2024.
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	YES	At the meeting of 26 th March 2024 Council, in accordance with Regulation 6 of the Accounts and Audit Regulations 2015, confirmed that the financial and management systems of the council were sound and adequate and internal control arrangements were efficient and effective to address the risks associated with the management of public finances by approving the Internal Control Statement.
<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	In accordance with the Accounts and Audit Regulations 2015, the Parish Council formally reviewed the scope and effectiveness of its internal audit arrangements within its Internal Controls at a meeting held 26 th March 2025.
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 2024/2025 was discussed at meetings of council in October and November 2023 with the final budget being agreed and set at the full council meeting held 13 th December 2023.
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	YES	The precept was set at £24,373 for 2024/2025 and formally approved by council at the meeting as detailed above.
<i>Regular reporting of expenditure and variances from budget</i>	YES	The minutes evidence that council completed quarterly reviews of its accounts as detailed 31 st July, 30 th October 2024 and 29 th January 2025 in accordance with its Financial Regulations.
<i>Reserves held – general and earmarked⁶</i>	YES	The Council, as at year-end, had Earmarked Reserves totalling £60,266.65 with the balance being General Reserves of £22,275.14.
Additional comments: Council has followed the recommended key stages as to the budgetary process for the year: • Decide the form and level of detail of the budget • Review the current year budget and spending • Assess levels of income • Bring together spending and income plans • Provide for contingencies and consider the needs of reserves • Approve the budget		

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

- Confirm the precept or rates and special levies and
- Review progress against the budget regularly throughout the year

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	A number of items of income were cross-checked against the cash book and bank statement and found to be in order. In accordance with proper practices the Responsible Financial Officer ensures that accounting records contain day to day entries of all sums of money.
<i>Is income reported to full council?</i>	YES	In accordance with the council Standing Orders income received is reported to full Council and detailed within the minutes.
<i>Does the precept recorded agree to the Council Tax Authority's notification?</i>	YES	The Council received precept of £24,373 during the year under review from East Suffolk Council.
<i>If appropriate, are CIL reporting schedules in accordance with the Regulations?⁷</i>	YES	The council has complied with its duty to produce an annual report that details the amount of CIL funds received and spent and has demonstrated it understands the requirements to comply with its duty to produce and publish the annual report. The Annual Report for 2024/2025 details a retained balance of £40,707.87. In accordance with regulations council has ensured that retained balances are transferred to the earmarked reserves specifically restricted.
<i>Is CIL income reported to the council?</i>	YES	
<i>Does unspent CIL income form part of earmarked reserves?</i>	YES	
<i>Has an annual report been produced?</i>	YES	
<i>Has it been published on the authority's website?</i>	YES	
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>N/A</i>	The Parish Council does not operate a petty cash system.
<i>If appropriate, is there an adequate control system in place?</i>	<i>N/A</i>	
Additional comments:		

Section 8 – Payroll controls		
The Internal Auditor will check salaries were approved in accordance with PAYE, NI, Pension and that there is a clear understanding that the clerk is not self-employed. The Internal Auditor will also review how payroll is managed including evidence of approval of payslips.		
Evidence		Internal auditor commentary
<i>Do all employees have contracts of employment?</i>	YES	Council had 1 employee on its payroll at the period end 31 st March 2025. Employment contracts were not reviewed during the internal audit but the clerk to the council has confirmed that a Contract of Employment is in place. 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.
<i>Has the Council approved salary paid?</i>	YES	
<i>Minimum wage paid?</i>	N/A	
<i>Are arrangements in place for authorising of the payroll and payments to the council? Does this include a verification process for agreeing rates of pay to be applied?</i>	YES	The payroll function is operated in accordance with HM Revenue and Customs guidelines. 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. Cross-checks were completed on three payments covering salary and PAYE were found to be in order.
<i>Is there evidence that the Council is aware of its pension responsibilities? Are pension payments in operation?⁸</i>	YES	Council is aware of its pension responsibilities with the member of registered with NEST Pension.

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

<i>Have pension re-declaration duties been carried out</i>	YES	Evidence was provided documenting the next re-declaration to take place no later than 30 th January 2026.
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	YES	There is a satisfactory expense system in place and all staff expenses claimed are in accordance with Council's Financial Regulations.
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 Asset Register, as viewed on the Council's website, was approved at the meeting of 24 th April 2024 and noted at a further meeting held 26 th March 2025. The Asset Register 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 st March 2025 is £68,053 which reflects overall movement in the asset register covering acquisitions and disposals.
<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	N/A

⁹ Practitioners Guide

<i>Is the asset register up to date and reviewed annually?</i>	YES	The asset register was reviewed as detailed above with the values submitted on the Annual Governance and Accountability Return for Internal Audit showing an asset value of £68,053 which shows an increase from 2023/2024 which agrees with that detailed in the Asset Register.
<i>Cross checking of insurance cover</i>	YES	Council has all risks cover within its insurance.
<i>Additional comments:</i>		

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	Council has implemented a system whereby bank reconciliation is correctly verified by the Council at each meeting. This not only safeguards the Responsible Financial Officer but also fulfils an internal control objective.
<i>Do bank balances agree with bank statements?</i>	YES	Bank balances agree with period end statements and as at year end 31 st March 2025 the balance across the council's accounts stood at £82,501.79 as recorded in the Statement of Accounts and on the year-end Bank Reconciliation.
<i>Is there regular reporting of bank balances at Council meetings?</i>	YES	Balances across the Council's accounts are reported at each meeting of full Council. The minutes demonstrate that a review of the bank reconciliation versus the bank statements has been undertaken. This is not only good practice but is also a safeguard for the RFO and fulfils one of the authority's internal control objectives.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
<i>Are appropriate accounting procedures used?</i>	YES	Accounts are produced on a receipts and payments and all found to be in order.
<i>Financial trail from records to presented accounts</i>	YES	The end of year accounts and supporting documentation were well presented for the internal auditor review.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	YES	The Council is a smaller authority with gross income and expenditure exceeding £25,000, it has completed Section 2 of Form 3 of the AGAR.
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	N/A	As the Parish Council had gross income and expenditure exceeding £25,000 it was not able to declare itself exempt from a limited assurance review.
<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 2023-2024, 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 3 rd June 2024 to 19 th July 2024 with the date of the notice being 31 st May 2024. This is published on the council website.
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	YES	In accordance with the Accounts and Audit Regulations 2015, as a smaller authority with either income or expenditure exceeding £25,000 but not exceeding £6.5 million, it is confirmed that the Council complied with the

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ Accounts and Audit Regulations 2015

		requirements of the Accounts and Audit Regulations 2015 for the year ending 31 st March 2024 as it published the following on its website: Annual Internal Audit Section 1 - Annual Governance Statement Section 2 - Accounting Statements Section 3 - The External Auditor Report and Certificate Notice of the period for the exercise of public rights and other information required by Regulation 15(2) Accounts and Audit Regulations 2015.
<i>Additional comments:</i>		

Section 12 – internal audit		
The internal auditor will revisit weaknesses and recommendations previously identified to see if these have been addressed. They will also check if any changes introduced require further verification to ensure effectiveness of the corrective action taken.		
Evidence		Internal auditor commentary
Has the Council considered the previous internal audit report?	YES	The Internal Audit Report for the period ending 31 st March 2024 was formally considered by and approved at the meeting of full Council on 29 th May 2024.
Has appropriate action been taken regarding the recommendations raised?	N/A	No issues of concern were highlighted for action.
Has the Council confirmed the appointment of an internal auditor? Has the letter of engagement been approved by full council?	YES	SALC were appointed as the council's internal auditors for the year ending 31 st March 2025 at the meeting of 29 th January 2025. Council has understood the requirement to ensure that it has a clear understanding of the roles and responsibilities for internal audit, audit planning and timing of visits, reporting requirements; access to information; period of engagement and remuneration. COMMENT: Council should approve the letter of engagement alongside the appointment of the internal auditor.
Additional comments:		

Section 13 – external audit for the period under review		
The internal auditor will revisit the external audit so that previous weaknesses and recommendations can be considered.		
Evidence		Internal auditor commentary
Has the Council considered the previous external audit report? ¹²	YES	At a meeting of council held 31 st July 2024 council noted the external audit report had been received with no action to be taken.
Has appropriate action been taken regarding the comments raised?	N/A	
Additional comments:		

¹² Regulation 20 Accounts and Audit Regulations 2015 – *following completion of an audit the Council should note that it is the Council as a whole (i.e., All members) and not a committee that should receive and consider the audit letter (including Annual Return and Certificate) from the local auditor as soon as reasonably practicable and the minutes should reflect that these have been received.*

Section 14 – additional information		
The internal auditor will look for additional evidence of good record keeping, compliance with data protection regulations, freedom of information and website accessibility regulations.		
Evidence		Internal auditor commentary
Was the annual meeting held in accordance with legislation? ¹³	Partly Met	The Annual Meeting of the Parish Council was held on 29 th May 2024. RECOMMENDATION: The first item on the agenda should be the election of the chairman in accordance with councils Standing Orders. The council noted its first item of business as the co-option of a new councillor.
Is there evidence that Minutes are administered in accordance with legislation? ¹⁴	YES	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 Chairman is given formal approval to sign the minutes.
Is there a list of members' interests held?	YES	The Register of Interests for all current Parish Councillors is available from a direct link from the council's website.
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	Council does not have any Trustee Responsibilities.
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	Partly Met	Whilst the Local Government Transparency Code 2015 applies to local authorities, including parish councils with annual income or expenditure (whichever is the higher) over £200,000, Councils with income over £25,000 but under £200,000 are expected (but are not legally required to do so) to follow its recommendations. The council has taken steps toward compliancy.

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 correctly registered with the Information Commissioner's Office (ICO) as a Data Controller in accordance with the Data Protection Legislation.
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	YES	Council has taken active steps to ensure compliancy with the GDPR requirements and has adopted a number of GDPR Policies as published on the council website. At each meeting of council, various documents are reviewed and updated.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	YES	Council has accessibility tools on its website thereby allowing for the increased functionality, along with a website accessibility statement detailing the technical information and methods used for testing the site, the steps being taken to improve accessibility and how the site is being improved. COMMENT: To ensure that content meets the WCAG 2.2 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations council should look to complete an up-to-date test of the site, with the last one detailed as completed June 2020.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	YES	Councils email is currently a gmail account, however it is noted that at the meeting held 30 th April 2025 council has agreed to move over to a .gov.uk email address which will demonstrate that the council has an official status thereby building trust, credibility and authenticity.
<i>Is there evidence that electronic files are backed up?</i>	YES	Councils Risk Assessment documents that electronic files are saved in real time with a hard drive back up.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	Council does not operate with a committee system.

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide

Additional comments:

Signed: Julie Lawes

Date of Internal Audit Report: 16th May 2025

On behalf of Suffolk Association of Local Councils