

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

Clerk	Catherine Herbert
RFO (if different)	-
Chairperson	Councillor Ros Alexander
Precept	£ 7,400
Income	£ 10,892
Expenditure	£ 12,932
General reserves	£3,445
Earmarked reserves	£11,000
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 a spreadsheet to produce its accounts, which have been produced for Internal Audit, the spread sheet is presented to the council at all meetings for review. The spreadsheet and bank reconciliation give a clear picture and record for council 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 has an income of less than £25,000 and is below the threshold for smaller authorities The income for the year 2024/2025 £10,892 The Expenditure for the year £12,932 The council uses a receipts and payments system
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cash book is up to date and records all relevant information: <ul style="list-style-type: none"> • Dates • Items • Payments • Credits • VAT • Precept • Grants
<i>Is the arithmetic correct?</i>	Yes	Cross checking has confirmed that 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 they were updated and approved 22 nd July 2024. The Standing Orders are based on the NALC Model Standing Orders (2018)
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations were upgraded and approved 22 nd July 2024 <i>Comment: The council should note that the Model Financial Regulations were updated by NALC March 2025.</i>
Has the Council properly tailored the Financial Regulations?	Yes	The Financial Regulations are tailored to meet the needs of the council
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	In accordance with the Section 151 Local Government Act 1972 (d) The council has appointed the Clerk as RFO
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	The Clerk/RFO submitted 20 invoices for inspection and audit. All are correctly entered in the cash book and reconciled.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	Internet banking is operated in accordance with the council's Financial Regulations
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is correctly recorded and claimed with time limits; a VAT re-claim was submitted July 2024 for the amount of: £866.07 and is entered in the cash book.
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	Yes	The council originally declared for General Power of Competence on 6 th May 2021 and re-declared on 9 th May 2024.
Are payments under s.137 ³ separately recorded, minuted and is there evidence of direct benefit to electorate?	N/A	The council made a discretionary grant of £150 but does not operate a formal s137 policy.
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:		

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.

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 clear evidence of Risk and Financial Risk Management
<i>Is there evidence that risks are being identified and managed?</i>	Yes	A full and comprehensive Risk Assessment was reviewed and approved on 13 th March 2025
<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 insurance cover with Clear Councils Policy number: 1007263637BDM/LCO02768, September 2024 <ul style="list-style-type: none"> • Public Liability £10m • Employers Liability £10m • Fidelity Guarantee £50k • Officials Indemnity £500k
<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	Evidence confirms that Internal Controls are documented and reviewed regularly and presented to council
<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 effectiveness of Internal Audit was reviewed and on 13 th March 2025, council approved the re-appointment of Suffolk Association of Local Councils as Internal Auditor 2025/2025
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
Verify that budget has been properly prepared and agreed	Yes	At the council meeting held 21 st November 2024 the council set a budget of £9,940 an increase of £540 from 2023/2024
Verify that the precept amount has been agreed in full Council and clearly minuted	Yes	The council confirmed the Parish Precept 9 th November 2024. The council requested £7,400 from West Suffolk Parish Council, this represented no increase from 2023/2024
Regular reporting of expenditure and variances from budget	Yes	Regular reporting of expenditure and variances are reported at all council meetings
Reserves held – general and earmarked ⁶	Yes	The Council formulated a new Reserve Policy 21 st November 2024. The council hold the following reserves: <ul style="list-style-type: none"> • General £3,445 • Earmarked £11,000 Including: Tree work Fund £6,000 Village furniture replacement fund £7,000
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
Is income properly recorded and promptly banked?	Yes	Income is promptly banked and reported to the council, in accordance with the council's Financial Regulations
Is income reported to full council?	Yes	Reported at all council meetings, and recorded in the minutes, in accordance with Standing Orders and Financial Regulations
Does the precept recorded agree to the Council Tax Authority's notification?	Yes	The precept received agrees with the council's request to West Suffolk Parish Council for the amount of £7,400 representing a 1.16% increase from 2023/2024 and is reported on Section 2 – Accounting Statements
If appropriate, are CIL reporting schedules in accordance with the Regulations? ⁷	N/A	The council receives no CIL Income
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:		

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 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	The council only has one employee, as of 31 st March 2025. The Clerks Contract of Employment was not made available for Internal Audit The council has agreed the salary, terms and conditions with the Clerk. Salary payments are presented to full council for authorisation and payment by internet banking, in accordance with the council's Financial Regulations The council does not pay 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	All salary payments are approved by full council
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	Payments include PAYE and NIC which are paid to HMRC monthly All deductions are within HMRC guidelines. Cross checking has confirmed that all payments are in order and recorded correctly.
<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 Pensions Obligations
<i>Have pension re-declaration duties been carried out</i>	Yes	The re-declaration was made on 17 th February 2023 and will be due for re-declaration January 2026
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	All payments of expenses are reported and approved for payment by full council
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 council maintains an up-to-date Asset Register in accordance with proper practices and in accordance with the council's Financial Regulations. The current Asset Register was updated and approved by council 13 th March 2025. The recorded value of assets is £24,066 The council is aware of the Governance and Accountability for smaller authorities Records and deeds were not inspected during internal audit. The insurance cover for assets is more than adequate, the council is aware of the Governance and Accountability Regulations for smaller councils
<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>	Yes	
<i>Are copies of licences or leases available for assets sited at third party property?</i>	No	The council does not have any assets on third party property
<i>Is the asset register up to date and reviewed annually?</i>	Yes	The Asset Register is up-to-date and reviewed annually. The asset register can be viewed on the council's website. Inspection for audit demonstrates that the council i
<i>Cross checking of insurance cover</i>	Yes	I have cross checked the insurance policy. I can confirm that the insurance policy is adequate to cover the council's assets
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 reconciliation and cash book reconciliation is regularly completed and updated and reported to all council meetings and reconciled at year end.
<i>Do bank balances agree with bank statements?</i>	Yes	The current balance of £14,444.78 is reported on the end of year summery. Bank statements 31/03/2025, show a balance of £14,444.78 The balance is correctly reported in box 7 Section 2 – Accounting Statements 2024/2025
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	Bank balances are reported at all council meetings. The bank balances are presented to the full council meetings and are accurately recorded in the minutes of the meetings. Although the council does not have an investment policy the council uses a Lloyds Bank deposit account to hold reserved money.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
<i>Are appropriate accounting procedures used?</i>	Yes	The receipts and expenditure system is used, and are in accordance with the council's Financial Regulations
<i>Financial trail from records to presented accounts</i>	Yes	The accounts and documentation have been made available, for the Internal Auditor for revue.
<i>Has the appropriate end of year AGAR¹⁰ documents been completed?</i>	Yes	The draft Section 2 Statement is available
<i>Did the Council meet the exemption criteria and correctly declared itself exempt?</i>	Yes	The council meets the criteria for submitting an exemption from limited assurance review. Gross Income and Expenditure is less than £25,000. An Exemption form will need to be submitted to the External Auditor.
<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	<p>The notice was posted: 26th May 2024 Commencing: 3rd June 2024 Ending 12th July 2024, the documents were available</p> <ul style="list-style-type: none"> • Notice of Exercise of Public Rights • Exemption Notice • Annual Audit Report • Section 1 Annual Governance Statement • Section 2 – Accounting Statements
<i>Have the publication requirements been met in accordance with the Regulations?¹¹</i>	Yes	The publication requirements were in accordance with the Account and Audit Regulations 2015
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 considered the Internal Audit Report at the meeting of 22 nd July 2024 (minute 11.4). Members resolved to adopt the report and to action the recommendation regarding Standing Orders.
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	Following the recommendation to review Standing Orders, Members reviewed the Standing orders and adopted an up-to-date Model of Standing Orders on 15 th May 2025
<i>Has the Council confirmed the appointment of an internal auditor?</i> <i>Has the letter of engagement been approved by full council?</i>	Yes	The council confirmed the appointment of Suffolk Association of Local Councils at the full council meeting 13 th March 2025 (minute 11.3)
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>	<i>N/A</i>	The council is an exempt authority and does not require a limited assurance review.
<i>Has appropriate action been taken regarding the comments raised?</i>	<i>N/A</i>	
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 Meeting of the council took place on 9 th May 2024. Councillor Ros Alexander 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 are recorded in accordance with legislation
<i>Is there a list of members' interests held?</i>	Yes	The Register of members Interests is held on the website of West Suffolk Parish Council, there is a direct link form Hawstead 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 applied the transparency code correctly for smaller authorities with an income and expenditure less than £200,000, The website clearly displays relevant documentation including: <ul style="list-style-type: none"> • Standing Orders • Financial Regulations • List of Councillors • Year-end accounts • Risk Assessments • Asset Register • Data Protection
<i>Has the Council registered with the Information Commissioner's Office (ICO)?</i> ¹⁵	Yes	The council is registered with the Information Commissioners Office. Ref: Z2782780, expires 24 th July 2025
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council is compliant with GDPR Regulations the policy statement was review and adopted by council 9 th May 2024.

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

		The policy demonstrates that the council has taken steps to ensure compliancy with GDPR Requirements. The policy clearly states provisions for protecting personal information. The privacy statement is published on the website in accordance with current guidelines.
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	There is an accessibility statement published on the council's website. The Accessibility Statement was reviewed and adopted by council May 2024
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	The council operates a .gov.uk domain name. The mail system is secure and complies with GDPR regulations
<i>Is there evidence that electronic files are backed up?</i>	Yes	The Risk Register demonstrates that back up procedures are in place.
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	Yes	The council does not operate a committee system.
Additional comments:		

Signed: Alan Melton

Date of Internal Audit Visit: 27th May 2025

Date of Internal Audit Report: 29th May 2025

On behalf of Suffolk Association of Local Councils

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide