

Internal Audit Report for Farnham and Stratford St Andrew Parish Council

for the period ending 31 March 2025

Clerk	Katherine Abbott
RFO (if different)	-
Chairperson	Ian Norman
Precept	£ 5,000
Income	£ 5,154.74
Expenditure	£ 6,731.10
General reserves	£0
Earmarked reserves	£1,619.06
Audit type	Exempt Authority (income 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		Internal auditor commentary
<i>Is the ledger maintained and up to date?</i>	Yes	The council uses spreadsheets to produce reports, the council records on a Receipts and Payment basis
<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 produced on Receipts and Payment basis; the council is a smaller authority with an income and expenditure of less than £200,000 The income for the year 2024/2025 is £5,154.74 The expenditure was £6,731.40
<i>Is the cash book up to date and regularly verified?</i>	Yes	The cash book is up to date. The cash book demonstrates clear and transparent accounting. The cash book includes: <ul style="list-style-type: none"> • Dates • Items • Payments • Credits • VAT • Precept
<i>Is the arithmetic, correct?</i>	Yes	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 were reviewed and updated 14 th October 2024. <i>Comment: The council should be advised that NALC published a revised version of the Model Standing Orders April 2025</i>
Are Financial Regulations up to date and reviewed annually?	Yes	The Financial Regulations were reviewed and updated 14 th October 2024 <i>Comment: The council should be advised that NALC published a revised version of the Model Financial Regulations March 2025</i>
Has the Council properly tailored the Financial Regulations?	Yes	The council has tailored the Financial Regulations to meet the needs of the council.
Has the Council appointed a Responsible Financial Officer (RFO)? ¹	Yes	In accordance with the Local Government Act 1972 (d) – Section 151 the council has appointed a Responsible Financial 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		Internal auditor commentary
Is there supporting paperwork for payments with appropriate authorisation?	Yes	The Clerk sent me a random selection of paid invoices and receipts. Cross checking has established that the invoices are correctly entered into the cash book, payments are presented to full council meetings for scrutiny and authorisation for payment.
Where applicable, are internet banking transactions properly recorded and approved?	Yes	The council uses internet banking for all transactions. All transactions are authorised in accordance with the council's Financial Regulations.
Is VAT correctly identified, recorded, and claimed within time limits?	Yes	VAT is clearly identified and reclaimed in accordance with current guidelines. The council submitted a VAT return of £138.80 on 28 th February 2025
Has the Council adopted the General Power of Competence (GPOC) and is there evidence this is being applied correctly? ²	N/A	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	There is a recorded s137 payment of £100 towards the community newsletter

² Localism Act

³ Section 137 of the Local Government Act 1972 ("the 1972 Act") enables local councils to spend a limited amount of money for purposes for which they have no other specific statutory expenditure. The basic power is for a local council to spend money (subject to the statutory limit – of £10.81 per elector) on purposes for the direct benefit of its area, or part of its area, or all or some of its inhabitants.

Where applicable, are payments of interest and principal sums in respect of loans paid in accordance with agreements?	Yes	The council has 2 outstanding loans provided by the Public Works Loan Board. Ref: PW488078 Annuity £2,211.69 Ref: PW488352 Annuity £2,517.99 Total outstanding balance £4,729.68 The council made a repayment of £2,717 2024/2025, to reduce the balance from 2023/2024 The sum of £2,717 is correctly entered in Box 5 Section 2 – Accounting Statements 2024/2025
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 council has a full and comprehensive Risk Assessment which was updated and adopted 11 th November 2024
<i>Is there evidence that risks are being identified and managed?</i>	Yes	The council is aware of the risks of safety and financial management. The council has taken all practicable steps to manage the risks.
<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 an insurance policy from Zurich Municipal Number: YLL-2720876643 dated 17 th September 2024 The policy includes: <ul style="list-style-type: none"> • Public Liability £12m • Employers Liability £10m • Fidelity Guarantee £25k

<i>Evidence that internal controls are documented and regularly reviewed⁴</i>	Yes	At the council meeting 11 th November 2024, the council reviewed its Internal Controls and Procedures, in accordance with the Accounts and Audit Regulations 2015.
<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	<p>The council received the Internal Audit Report 2023/2024 at the meeting of the council 8th July 2024 (minute 12). The Clerk highlighted the bookkeeping errors in the 2023/2024 financial year.</p> <p>The council agreed to update the content of the website to include policies and procedures. The Clerk undertook to carry out the work during the year 2024/2024.</p> <p><i>Comment: The Clerk and the council have updated and published information, policies and procedures on the councils website as per the recommendations.</i></p>
<i>Additional comments:</i>		

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 agreed at the meeting of the council 8 th January 2024. The council budgeted an income of £4,700 with a carryover of £5,369.34 and expenditure of £6,818.35
<i>Verify that the precept amount has been agreed in full Council and clearly minuted</i>	Yes	The precept was set at the meeting 8 th January 2024. The council agreed to request £5,000 from East Suffolk District Council
<i>Regular reporting of expenditure and variances from budget</i>	Yes	Expenditure and variances are reported to the council at all meetings and authorised by the council for payment, in accordance with the Financial Regulations.
<i>Reserves held – general and earmarked⁶</i>	Yes	The council has a general reserve of £0. Earmarked reserve of £1,619.06 (CIL and open space play fund)
<i>Additional comments: It is strongly recommended that the council should hold sufficient reserves for the operation of the council for no less than 6 months of income and preferably 12 months. I noted in the budget process that there was a carryover of £5,369.34. Carry overs should not be used to subsidise day to day spending. The sum should be moved to reserves and budget setting should reflect the full extent of income and expenditure for the financial year.</i>		

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	All income is recorded in accordance with Financial Regulations
Is income reported to full council?	Yes	All income is reported to all council meetings
Does the precept recorded agree to the Council Tax Authority’s notification?	Yes	The council requested a precept from East Suffolk District Council of £5,000, The precept was agreed at the council meeting 8 th January 2024 This was an increase of £500 (an increase of 11.1%. The precept is recorded in the cash book and correctly entered in Box 2 – Accounting Statements 2024/2025
If appropriate, are CIL reporting schedules in accordance with the Regulations? ⁷	Yes	There was no recorded CIL income for 2024/2025. There was a retained balance of £2,598.84 from previous years Expenditure of £1,017.78, leaving a retained balance of £1,581.06
Is CIL income reported to the council?	Yes	
Does unspent CIL income form part of earmarked reserves?	Yes	
Has an annual report been produced?	Yes	
Has it been published on the authority’s website?	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>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 has only one employee 2024/205 Employment contracts were not available for Internal Audit The council agreed the salary; all salary payments are presented to the council for approval and payment in line with the council's Financial Regulations and approved for payment by the council The council does not pay minimum wage.
<i>Has the Council approved salary paid?</i>	Yes	
<i>Minimum wage paid?</i>	No	
<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 suitable arrangements in place to authorised the payment of payroll
<i>Do salary payments include deductions for PAYE/NIC? Is PAYE/NIC paid promptly to HMRC?</i>	Yes	The council has suitable arrangements to include deductions for PAYE and NIC, all are calculated with HMRC guidelines and paid promptly to HMRC
<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. No employee has opted to join a pension scheme
<i>Have pension re-declaration duties been carried out</i>	Yes	The council agreed to the re-declaration at the meeting on 14th October 2024 (minute 8). The council signed a re-declaration in November 2024
<i>Are there any other payments (e.g.: expenses) and are these reasonable and approved by the Council?</i>	Yes	All expenses are submitted to the full council for approval and payment in accordance with the council's Financial Regulations.
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	There is up-to-date Asset Register which was updated 11 th November 2024 All assets are individually valued for purchase and insurance value. Any title deeds and land registry documents were not reviewed for Internal Audit
<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	The council has no 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 is reviewed annually
<i>Cross checking of insurance cover</i>	Yes	I have cross checked the Assets with Insurance Cover; I am satisfied that the insurance cover 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>	No	The council's current account is held with Unity Trust and shows a balance of £1,266,49 The bank reconciliation shows a balance of £3,271.80 The value of £1,231 is entered in Box 7/8 of the Accounting Statements 2024/2025
<i>Do bank balances agree with bank statements?</i>	No	
<i>Is there regular reporting of bank balances at Council meetings?</i>	Yes	The bank balances are presented to the council at all meetings.

Additional comments: There is obviously a discrepancy with the figures for Internal Audit 2024/2025. However, the Clerk has noted that Barclays Bank Statements are not available electronically. Hard copies have been requested but are not available for Internal Audit.

Section 11 – year end procedures		
Evidence		Internal auditor commentary
Are appropriate accounting procedures used?	Yes	Accounts are produced on a receipts and payments basis
Financial trail from records to presented accounts	Yes	There is a clear transparent financial trail <i>Comment: The council needs to ensure that statements from Barclays Bank are received electronically, or paper copies should be obtained at least quarterly.</i>
Has the appropriate end of year AGAR ¹⁰ documents been completed?	Yes	The end of year AGAR documents have been completed
Did the Council meet the exemption criteria and correctly declared itself exempt?	Yes	The council has filed an Exemption Certificate as its income and expenditure is less than £25,000 on 2nd May 2025
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 notice was posted 3 rd June 2024 Commencing Monday 3 rd June 2024 Ending Friday 12 th July 2024
Have the publication requirements been met in accordance with the Regulations? ¹¹	Yes	The publication requirements have been met in accordance with the regulations. As a smaller authority with an income of less than £200,000 and an exemption as the authority has an income less than £25,000. In accordance with the Accounts and Audit Regulations 2015 <ul style="list-style-type: none"> • Notice of period of exercise of public rights • Section 1 – Annual Governance Statement • Section 2 – Accounting Statements • Exemption Certificate

¹⁰ Annual Governance & Accountability Return (AGAR)

¹¹ 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 council considered the Internal Audit Report for 2023/2024 8 th July 2024 (minute 12)
<i>Has appropriate action been taken regarding the recommendations raised?</i>	Yes	There is evidence that the council carried out a thorough review of the Internal Audit Report recommendations
<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 approved the appointment of The Association of Suffolk Local Councils as Internal Auditor 2023/2024 at the meeting of 11 th November 2024.
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 is not subject to 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		Internal auditor commentary
Was the annual meeting held in accordance with legislation? ¹³	Yes	The annual meeting of the council was held on 13 th May 2024 Councillor Ian Norman was elected as Chair of the Council for the municipal year 2024/2025
Is there evidence that Minutes are administered in accordance with legislation? ¹⁴	Yes	The minutes of the meeting are recorded correctly in accordance with the council's Standing Orders and in accordance with the Local Government Act 1972 schedule 12 paragraphs 41 (1)
Is there a list of members' interests held?	Yes	Members interests are published on the East Suffolk District Council Website. <i>Comment: There is not a clear link to the ESDC website for members interests.</i>
Does the Council have any Trustee responsibilities and if so, are these clearly identified in a Trust Document?	N/A	The council does not have any trustee responsibilities
Has the Transparency Code been correctly applied, and information published in accordance with current legislation?	Yes	The council's Transparency Code has been correctly applied The following are clearly displayed on the council's website. <ul style="list-style-type: none"> • Standing Orders • Financial Regulations • List of Councillors and responsibilities • Yearend accounts • Risk Assessments • Asset Register • Data Protection • GDPR Statement • Internal Auditors Report

¹³ The Local Government Act 1972 Schedule 12, paragraph 7 (2) and Schedule 15 (2)

¹⁴ Public Bodies (Admission to Meetings) Act 1960, Local Government Act 1972, and the Localism Act 2011

<i>Has the Council registered with the Information Commissioner's Office (ICO)?¹⁵</i>	Yes	The council is registered with the Information Commissioners Office. ZA204795 expires 1/11/2025
<i>Is the Council compliant with the General Data Protection Regulation requirements?</i>	Yes	The council has <ul style="list-style-type: none"> • Data Protection Impact Assessment Policy • Privacy Notice
<i>Has the Council published a website accessibility statement on their website in line with Regulations?¹⁶</i>	Yes	The council has accessibility tools on its website detailing technical information, along with methods used for testing. Improvements have been made in accordance to meet the WCAG 2.1 Standard under Regulation 8 of the Public Sector Bodies (Websites and Mobile Applications) (No 2) Accessibility Regulations 2018.
<i>Does the council have official email addresses for correspondence?¹⁷</i>	Yes	The Clerk has a dedicated email address parishclerk.f@btinternet.com The councillors do not have a council email address.
<i>Is there evidence that electronic files are backed up?</i>	Yes	Electronic files are backed up on "the cloud"
<i>Do terms of reference exist for all committees and is there evidence these are regularly reviewed?</i>	N/A	The council does not operate a committee system.
<i>Additional comments: Following the Internal Report 2023/2024, it was recorded that there were significant omissions, and the Internal Report recommended a series of actions. The council has addressed the issues highlighted and has demonstrated that the Internal Audit process is effective.</i>		

Signed: Alan Melton

Date of Internal Audit Visit: 14th June 2025 Date of Internal Audit Report: 17th June 2025

On behalf of Suffolk Association of Local Councils

¹⁵ Data Protection Act 2018

¹⁶ Website Accessibility Regulations 2018

¹⁷ Practitioners Guide