

# **Lindsey Parish Council - 2021/22 End of Year Internal Audit**

## **Draft Audit Plan**

The Internal Audit will focus upon the key systems of internal control in operation to provide assurance to the Parish Council that satisfactory overall financial and regulatory arrangements are in place. The End-of-Year Internal Audit can be undertaken in 2022 following the completion of the 2021/22 Accounts and will enable the completion of the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) for the year 2021/22.

### **1. Governance, Standing Orders, Financial Regulations and other Regulatory Issues**

- a) Was the Annual Parish Council meeting held in accordance with the appropriate legislation in place at the time?
- b) Has the Council recently reviewed and formally adopted up-dated Standing Orders and Financial Regulations? Are they the NALC model documents, and have they been tailored to meet the particular requirements of the Council?
- c) Confirm that a Responsible Financial Officer is in post with specific duties agreed under contract.
- d) Confirm that the Councillors' Code of Conduct has been adopted and is being correctly applied.
- e) Is the General Power of Competence in operation and is it being correctly applied? Otherwise, are Section 137 Payments clearly identified and reported to Council?
- f) Confirm that the Council is registered as a Fee Payer/Data Controller under Data Protection legislation. Is a Data Protection Policy, and other appropriate policies, in place to evidence compliance with GDPR requirements? Have appropriate Privacy Notices been published? Have any significant issues arisen regarding compliance with the GDPR?
- g) Do the Council's Minutes provide a clear record of the actions and decisions taken?
- h) Has the Council appropriate Policies, Procedures and Protocols in place? Are they frequently reviewed and updated? Is a Schedule for Review of Policies in place?
- i) Has a Website Accessibility Statement been published to assist compliance with the website accessibility regulations?

### **2. Accounting Procedures and Proper Book-keeping**

- a) Is the Council's Accounting System/Cashbook being properly maintained and up to date?
- b) Is the Accounting System regularly balanced and reconciled to the bank statements?
- c) Is the Accounting System appropriate and fit for purpose comparative to the Council's requirements and the transactions regularly passing through the Accounts?
- d) Is there a clear audit trail from the underlying financial records to the Accounts?
- e) Are the financial information and data being produced from the accounting system and delivered to Parish Councillors adequate and relevant to the Council's needs?
- f) Have re-claims for VAT paid been submitted to HMRC regularly and promptly?
- g) Are details of the General Reserves, Earmarked Reserves and Restricted Reserves identified and correctly recorded in the accounts?
- h) Was a Community Infrastructure Levy (CIL) Report (if appropriate) for the year 2020/21 submitted to the District Council by the due date of 31 December 2021? Has a CIL Report been prepared for the year 2021/22?

### **3. Bank Reconciliation**

- a) Confirm that a Bank Reconciliation for each bank account has been carried out regularly and timely. Is the reconciliation being performed each month?
- b) Has the Bank Reconciliation as at 31 March 2022 been performed correctly? Can the Bank Reconciliation be confirmed from Bank Statements and investment records and have any unrepresented payments or receipts (if appropriate) been correctly identified in the Reconciliation?
- c) Are there any unexplained balancing entries in any reconciliation?
- d) Does the Council receive regular reports of bank balances and reconciliations? Are the details Minuted?

### **4. End of Year Procedures**

- a) Are year-end accounts prepared on the correct accounting basis (Receipts and Payments)? Confirm correctness of entries in year-end accounts on a sample basis.
- b) Is the year-end Receipts and Payments Account properly balanced and adequately referenced and notated?
- c) Are the details of the Earmarked Reserves and General Reserves correctly recorded in the accounts at the year-end?
- d) Is there a clear audit trail from underlying financial records to the End-of-Year accounts?
- e) If appropriate, does the PWLB principal outstanding at the year-end agree with PWLB's notification and information listed on the PWLB website?
- f) Are there any outstanding legal, regulatory or contractual issues that may impact upon the Council and may require to be reflected in the accounts?
- g) Has the End-of-Year AGAR for 2021/22 been completed correctly? Have Sections 1 and 2 been (or have yet to be) approved, signed and dated? Does Section 2 (Accounting Statements) balance correctly? Can each entry be confirmed as correct?

### **5. Budgetary Controls**

- a) Has the Council prepared an annual budget in support of the Precept in respect of both 2021/22 and 2022/23 years of account?
- b) Are budget papers suitably detailed to ensure that Councillors have sufficient information to make informed decisions?
- c) Has the Precept amount been agreed in Full Council and clearly Minuted?
- d) Are there any significant unexplained variances from budget?
- e) Has actual expenditure against the 2021/22 Budget been regularly reported to and considered by the Council?
- f) Are Reserves (both General and Earmarked) regularly monitored? Is the level of overall Reserves adequate to provide for any unforeseen costs? Does the level of General Reserves meet best financial practice? Is there evidence of a continuing increase in the Council's Overall Reserves after a number of years of maintaining a low level of Reserves?

### **6. Internal Financial Controls, Payments Controls and Audit Procedures**

A sample of payments made during the period April 2021 to March 2022 will be selected in order to examine/confirm the following:

- a) Is there a clear audit trail to clearly demonstrate that Payments in the Cashbook are supported by invoices, properly authorised and Minuted?
- b) If appropriate, are Electronic Payments and other Internet Banking transactions, including transfers, properly recorded and approved? Is the Electronic Payment document confirming the date/time, payee and amount of the payment held with the invoice?
- c) Has the VAT element on payments been correctly identified, recorded and reclaimed?
- d) Have the appropriate Standing Orders and Financial Regulations been met?

- e) Do the Council's Minutes provide a clear record of the payments made by including a list of the payments approved by Council at each meeting?
- f) Is the statutory basis for the payments identified?
- g) Have items or services above the de minimus amount been competitively purchased?
- h) Is a Petty Cash system in operation? If so, are associated books and an adequate control system in place. Are written instructions in place for its use?
- i) Are arrangements in place for the use of a corporate Credit/Debit Card. Are written instructions in place for its use and have they been formally approved by the Council and details included in Financial Regulations?
- j) Are purchases by Petty Cash and/or Debit/Credit card evidenced/supported by invoices/vouchers? Confirm/test-check the current arrangements relating to the use of the card. Are the transactions reported to the Council?
- k) Has the previous Internal Audit Report for the year 2020/21 been presented to the Council and Minuted? Have all recommendations or areas of concern raised by the Internal Auditor been considered/addressed or an Action Plan in place?

## **7. Payroll Controls**

- a) Confirm the procedures in operation for the provision of Payroll Services (in-house or outsourced).
- b) Do all employees have Contracts of Employment with clear terms and conditions?
- c) Have there been any changes in staffing, staff appointments and rates of salaries paid since the 2020/21 End-of-Year Internal Audit? If so, have all changes been agreed by the Council? Have PAYE and NIC been properly operated by the Council as an employer? Have P60 End-of-Year Certificates been prepared?
- d) Has the Council been advised of the current NJC salary scales and approved any increases in salaries? Do salaries paid agree with those approved by the Council?
- e) Are payments other than salary payments to employees reasonable and approved by the Council?
- f) Are appropriate staffing policies (e.g. Lone Working, Grievance, Sickness and Absence Policies) in place and regularly reviewed?
- g) Are workplace pension requirements being met and correctly applied? Have the Pensions Regulator's requirements been met in full (e.g. any necessary re-declarations made)?

## **8. Income Controls**

A sample of income items received during the period April 2021 to March 2022 will be selected in order to examine/confirm the following:

- a) Is income properly recorded in the accounting system (and promptly banked where appropriate)? Does documentary evidence exist to confirm that the correct amount of income has been invoiced/received?
- b) Are security controls over cash and cheques adequate and effective? Are debtors encouraged to make payment electronically?
- c) Are invoices promptly issued and followed up as necessary? Is the follow-up procedure adequate and effective? What is the current balance of debt outstanding?
- d) Are all income sources, fees and charges reviewed each year to confirm appropriate and adequate rates are being charged? Have these issues been adequately dealt with in the budget process and are being monitored?
- e) Are receipts reported routinely to the Council and Minuted?

## **9. Internal Control and the Risk Management arrangements**

- a) Are internal control systems documented and regularly reviewed? Is a Statement of Internal Controls in place?
- b) Is an overall Risk Management Policy in place? Are the risk assessment documents being used in appropriate cases/incidents? Do they adequately cover risks (financial and other) faced by the Council and detail the mitigating actions in place?
- c) Are key risk areas (e.g. play areas) adequately covered by risk assessments and reports regularly made to the Council? Are annual RoSPA inspections undertaken on all play areas owned by the Council?
- d) Do Minutes record the Council carrying out an annual or regular risk assessment and review of internal control systems? Are arrangements in place to meet the Accounts and Audit Regulations requirement that the Full Council must formally consider internal control arrangements (including risk management arrangements) in each year of account?
- e) Has insurance cover been reviewed by the Council and a new policy entered into for the year 2021/22? Is insurance cover (e.g. Employer's Liability and Public Liability) appropriate and adequate? Does the Fidelity Guarantee (Councillor/Employee Dishonesty) cover meet current best practice?

## **10. Assets Control and Valuations**

- a) Does the Council's Asset Register display all material assets owned by the Council or in its care? Is the Asset Register up to date and includes all acquisitions since 1 April 2021?
- b) Are valuations consistent, year-on-year, to meet current valuation requirements?
- c) Is the Asset Register regularly reviewed by the Council (at least annually)?
- d) Have the items listed in the Register been agreed with those in the insurance schedules to ensure that appropriate cover is in force? Have all new acquisitions been included within the cover, where appropriate?

## **11. External Audit**

- a) Has the Council completed a Certificate of Exemption from a Limited Assurance Review for the year 2021/22 (if appropriate)?

## **12. Transparency Code/Publication of Information**

- a) Where appropriate, is the Council meeting all the requirements of the Transparency Code? Has the Council met the statutory deadlines for the publication of documents on a publicly accessible website for the 2020/21 accounts?

## **13. Other Matters**

- a) Does the Council have any responsibilities as a Sole Trustee?
- b) Are there any areas in which the Clerk/RFO (and/or other Council staff) require additional training or support?
- c) Are there any other areas which the Clerk/RFO or Parish Councillors have requested Internal Audit to examine during this End-of-Year Internal Audit Review?