Hurstpierpoint & Sayers Common Parish council

Internal Audit Plan

31/03/2018

Prepared by: Mulberry & Co
Date of Interim Visit: 11th November 2017
Date of Final Visit: TBC

Law and Regulation Regarding Internal audit

Regulation 5 (1) of the Accounts and Audit Regulations 2015 imposes a duty on local councils to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.' For parish and town councils, this guidance is set out in the NALC publication "Governance and Accountability for Smaller Authorities in England."

The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit's role is to assist the council in fulfilling its responsibility to have and maintain proper internal control arrangements and those for the prevention and detection of fraud, error or mistakes. All internal audit work must be reported to the council. Any report by internal audit is addressed to the council, may recommend actions to be taken by the council, and should be treated as a document open to view by local taxpayers.

Two pieces of legislation set out how local councils should behave when accounting for the public funds they manage and what rights local taxpayers have in relation to those accounts. These are the **Local Audit and Accountability Act 2014** and the **Accounts and Audit Regulations issued from time to time under the Act**. Sections 25-27 of the Local Audit and Accountability Act 2014 set out the rights for local government electors and interested parties to inspect council accounting records and accounting statements.

Under these regulations, all local councils must at least once a year conduct in accordance with proper practices a review of the effectiveness of their system of internal control and publicly report the outcome. The Annual Governance Statement in Section 2 of the annual return provides the means for local councils to report to local taxpayers on their system of internal control.

This report is prepared for the council and proper officers of the council named above, for use in fulfilling their obligations under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations issued from time to time under the Act for preparing the Annual Return and reviewing the effectiveness of their system of internal controls. Mulberry and Co accept no responsibility for any action or inaction taken as a result of the findings of this report and accept no responsibility to any other party other than those named above.

No part of this material may be reproduced in any form without the prior permission of Mulberry & Co.

Specific Audit Plan

Audit Area	Risk of error or misstatement	Tests
Appropriate books of account have been kept properly throughout the year.	Low	Review transactions in cashbook make verbal enquiries. Test arithmetic.
The council's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Low	Have FR & Standing orders been reviewed and noted in minutes in last 12 months Select items from FR to test to physical documentation Review invoices and reconcile to cash book in detail Review selection of VAT entries Review minutes and payment list for authorisations Agendas and minutes properly prepared and published Council has acceptance of office and declarations of interest in place and signed Review council is following transparency regulations
The council assessed the	Low	Review and comment on risk assessments

significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.		in place – ensure financial risk assessment considered Review of effectiveness of audit carried out Review and comment on council disaster recovery plans Review and comment on council's insurance
The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate	Low	Review minutes for evidence of council discussion of the same Review and comment on actual versus budget information presented to council Review and comment on level of general and earmarked reserves
Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Low	Test precept application to precept receipts Test other income to annual charges (as approved by council) Test sample of VAT charged Comment on any partial exemption issues
Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately	Low	Test physical cash balances to accounting records

accounted for.		Review items paid for by cash Enquire as to if cash received is banked entire or used for petty cash
Salaries to employees and allowances to members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Low	Test rates and hours are authorised Test net wages to payments due Ensure PAYE paid on time Council has pensions provision in place
Asset and investments registers were complete and accurate and properly maintained.	Low	Assets shown at cost or proxy cost only Asset register sufficiently detailed Review insurance schedule and cashbook for missing items off the register
Periodic and year-end bank account reconciliations were properly carried out.	Low	Test reconciliation in detail for all accounts Are reconciliations signed and presented to council Test loans to PWLB and or other documentation
Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the	Low	Review and comment on method of preparation Box 7 & 8 reconciliation agrees if

cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.		applicable Schedules of prepayments, accruals, debtors and creditors agree to final accounts Electors rights has correct date parameters
Trust funds (including charitable) The council met its responsibilities as a trustee.	Low	Enquire as to if council is sole manging trustee and note details Ensure accounts do not contain trust income or expenditure

Budget

		Hours
Planning & Systems Work	Interim Visit	4
File Review and reporting	Interim Visit	1
Financial Procedures	Final Visit	4
File review	Final Visit	1
Total Budget Hours		**10**
Hourly Rate		£50
Time Cost		**£500**
Other costs	Mileage	£20
Total Budgeted Cost		**£520**
Total Budgeted Fee		**£550**

Timetable

Autumn	Planning and Interim Audit work
April - July	Council reviews and signs off Annual Governance Statement
	Council prepares year end accounts
	Final Internal Audit
	Annual Return Taken to council for approval
	Notice of electors rights and accounts published
	Accounts sent to external auditor for audit

Checklist of items for each visit

1. Financial Regulations, standing orders and risk assessments taken to council for review at least annually

2. Bank reconciliation prepared and presented to council for all bank accounts regularly

3. Declarations of interest and acceptance of office forms signed and in place

4. Interim Visit

    a. Financial Regulations, Standing Orders and Risk assessments on hand
    b. Insurance schedules on hand
    c. Signed Minutes available
    d. Evidence of recommendations from previous internal or external audits have been taken to council and adopted
    e. Copy of prior year signed annual return

    f. Bank reconciliation on hand and signed off (all accounts)
    g. PWLB statements if applicable available

    h. Payroll & VAT records available
    i. Proof of annual charges being agreed by council on hand

    j. Invoices paid & Payment lists available

    k. Cheque books and paying in books available

    l. Transparency regulations being followed

5. Final Visit
    a. External auditors letter on site and to hand
    b. Annual return prepared (in draft)
    c. Bank reconciliation agrees to annual return
    d. Box 7 & 8 reconciliation prepared and agreed to annual return
    e. Variance analysis completed and agrees to annual return
    f. Fixed asset register agrees to annual return
    g. PWLB statements if applicable available
    h. Audit trail from underlying accounting records to annual return agrees
    i. Transparency regulations being followed