

WEM TOWN COUNCIL INTERNAL AUDIT PLAN 2019

Adopted

The maintenance of an adequate and effective system of Internal Audit

- a) Parish & Town Councils have a duty under the Account & Audit Regulations 2011 as amended to maintain an adequate and effective system of Internal Audit of their accounting records and of their systems of internal control in accordance with the proper practices in relation to internal control.
- b) The purpose of Internal Audit is to review whether the systems of financial and other controls are effective.
- c) Parish & Town Councils set out the control objectives usually in the form of standing orders and financial regulations.
- d) Councils determine the scope of and extent of their Internal Audits.
- e) The Council appoints an Internal Auditor who
 - Must not have any involvement in the decision making management or control of the Council thereby satisfying the principle of independence.
 - Understands basic accounting processes, the role of Internal Audit in reviewing systems rather than undertaking detailed checks (the responsibility of management), accounting requirements of the legal framework and powers of local councils, has an awareness of risk issues thereby satisfying the principle of competence.
- f) The role of the internal auditor is to provide independent review and appraisal of the Council's internal control.

2. The Plan

- a) The Town Council on the recommendation of its Finance & Corporate Governance Committee appoints an Internal Auditor prior to the start of each financial year who satisfies the principle of independence and competence. The Appointee will receive a letter of appointment which sets out the terms of the appointment. The appointment will be remunerated. The appointment itself and rate of remuneration will be minuted.
- b) The Council will require the Internal Auditor to conduct the annual audit exercise as soon as possible after year end by agreement. The Internal Auditor will have all the documents required and access to officers and if necessary councillors to undertake an effective audit on each occasion.
- c) The Council will provide the Internal Auditor with Terms of Reference for the annual audit.
- d) The Terms of Reference will ensure that

- The Internal Auditor has access to the evidence that will enable them to complete the Annual Governance and Accountability Return (AGAR).
- The Council will have an independent opinion of its system of internal control that will underpin its Annual Governance Statement (Section 1 of the AGAR).

Should the Internal Auditor be unable to complete any of the boxes in Section 4 he will provide an explanation.

- e) The Council will conduct a review once during each financial year of the effectiveness of its System of Internal Audit.
- f) The Town Council shall consider at an appropriate time the findings of the review and incorporate them in its Statement of Internal Control.
- g) The Audit Plan timetable is attached as Appendix 1
- h) The Audit Plan for 2019/20 is attached Appendix 2

3 Review of Effectiveness of the System of Internal Audit

- a) The Review will take place in January or February.
- b) The Review will be undertaken by the Finance & Corporate Governance Committee which will report to the Council.
- c) The Review will have two components
 - Whether the Internal Auditor met the Council's expected standards e.g. the scope of the Internal Auditor's work (does it for example enable the Auditor to complete the appropriate section of the AGAR and give The Council the assurance that it needs to complete Section 1 of the AGAR).
 - Consideration of not just how valuable and useful the Internal Audit has been since it was last reviewed but how to incorporate new guidance and changes to the Council's own activities.
- d) The report of the Finance & Corporate Governance Committee (which will contain their opinion as to whether Internal Audit is effective) will be considered by the Town Council which will incorporate the outcome of the Review in its Annual Statement on Internal Control.

January 2020

Town Council Audit Plan 2019/20

Scope

The scope of internal audit spans the whole range of the Council's activities and includes the review of those controls designed to ensure:

- The Council's policies are put into practice
- The Council's values are met
- Laws and regulations are complied with
- Processes are adhered to
- Financial information is accurate and reliable
- Human financial and other resources are managed efficiently and effectively

Unplanned Work

If necessary work will be varied to include areas where significant weaknesses are identified. No contingency for unplanned work has been included in the plan and each issue will be dealt with as it arises. Examples of unplanned work are:

- Investigations
- Requests from the Council's Finance and Corporate Governance Committee
- Additional work required on planned activities

Reporting

A report will be provided to the Council after the annual visit summarising:

- Work carried out
- Significant findings
- Agreed actions
- Recommendations
- Performance against the Audit Plan

The Audit Plan will be kept under continuous review within the context of achieving overall objectives. Should significant amendments be necessary these will be discussed and reported to the Council at the earliest opportunity.

Internal Auditor's Terms of Reference – Year End 2019/20

Internal Control	Testing Required
Proper bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up-to-date? • Is the cashbook arithmetically correct? • Is the cashbook regularly balanced?
<p>A. Standing Orders & Financial Regulations Adopted and Applied</p> <p>B. Payment Controls</p>	<ul style="list-style-type: none"> • Has the Council formerly adopted its Standing Orders & Financial Regulations? • Has a responsible officer been appointed with specific duties? • Have items on services above the de minimus amount been competitively purchased? • Are payments in the cashbook supported by invoices authorised and minuted? • Has VAT on payments been identified, recorded and reclaimed? • Is General Power of competence expenditure properly recorded and within powers?
Risk Management Arrangements	<ul style="list-style-type: none"> • Does a review of the minutes identify any unusual financial activity? • Do minutes record the Council carrying out an annual risk assessment? • Is insurance cover appropriate and adequate? • Are internal financial controls documented and regularly reviewed? • Has the Council assessed the significant risks to achieving its objectives relative to its management of its finances and has procedures in place to deal with this?
Budgetary Controls	<ul style="list-style-type: none"> • Has the Council prepared an annual budget in support of its precept? • Is actual expenditure against the budget regularly reported to the Council? • Are there any significant unexplained variances from budget? • Is the budget matched to year end outturn to enable consistent comparison of financial performance? • Are year end variances explained?
Income Controls	<ul style="list-style-type: none"> • Is income properly recorded and paid in? • Does the precept recorded agree to the Council Tax authorities' notification? • Are security controls over cash adequate and effective?
Petty Cash Procedures	<ul style="list-style-type: none"> • Is all petty cash spent, recorded by VAT invoices/receipts? • Is petty cash expenditure reported to each Council meeting? • Is petty cash reimbursed?
Payroll Controls	<ul style="list-style-type: none"> • Do all employees have contracts of employment with clear terms and conditions? • Do salaries paid agree with those approved by the Council? • Are other payments to employees reasonable and agreed by the Council? • Have PAYE and NIC been properly operated by the Council as an employer?

Asset Controls	<ul style="list-style-type: none"> • Does the Council maintain a register of all material assets owned or in its care? • Are the assets and investments, investment registers up-to-date? • Do asset insurance valuations agree with those in the asset register?
Bank Reconciliation	<ul style="list-style-type: none"> • Is there a bank reconciliation for each bank account? • Is there a bank reconciliation carried out regularly and in a timely fashion? • Are there any unexplained balancing entries in any reconciliation? • Is the value of investments held summarised on the reconciliation? • Has a year end reconciliation been carried out?
Year End Procedures	<ul style="list-style-type: none"> • Are year end accounts prepared on an income and expenditure basis? • Do accounts agree with the cash book? • Is there an audit trail for underlying financial records to the accounts? • Where appropriate have debtors and creditors been properly recorded?
Improvements	<ul style="list-style-type: none"> • Has the Council acted on the recommendations and comments of the internal and external auditors?
GDPR	<ul style="list-style-type: none"> • Is the Council complying with the GDPR?

INTERNAL AUDIT SERVICE FOR WEM TOWN COUNCIL

AUDIT PROGRAMME – 2019/20

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2010 edition of “Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide”. Where an entry has been made in column 4 the supporting Working Papers are attached.

Signed.....Date.....

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments / Recommendations
Previous Internal / External Audit Report	Do the minutes record that the Council has considered the Internal Audit / External Report for the previous year and the matters arising addressed?			
Proper bookkeeping	Is the cashbook maintained and up to date?			
	Is the cashbook arithmetically correct?			
	Is the cashbook regularly balanced?			
Standing Orders and Financial Regulations	Has the Council formally adopted Standing Orders and Financial Regulations?			
	Has a Responsible Financial Officer been appointed?			
	Have items or services above a de minimis amount been competitively purchased?			
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?			
	Has VAT on payments been identified, recorded and reclaimed?			
	Is Section 137 expenditure separately recorded and within statutory limits?			
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?			
	Do the minutes record the Council carrying out an annual risk assessment?			
	Is insurance cover appropriate and adequate?			

	Are internal financial controls documented and regularly reviewed?			
	Has the Council assessed the significant risks to achieving its objectives relative to its management of its finances and has procedures in place to deal with it?			
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?			
	Is actual expenditure against the budget regularly reported to Council?			
	Are there any significant unexplained variances from budget?			
	Is the budget matched to year end outturn to enable consistent comparison of financial performance?			
	Are yearend variances from budget explained?			
Income Controls	Is income properly recorded and promptly banked?			
	Does the precept recorded in the cashbook agree to the District Council's notification?			
	Are security controls over cash adequate and effective?			
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?			
	Is petty cash expenditure reported to Council?			
	Is petty cash reimbursement carried out regularly?			
Payroll Controls	Do salaries paid agree with those approved by Council?			
	Do all employees have contracts of employment with clear terms and conditions?			
	Are other payments to the Clerk reasonable and approved by Council?			
	Has PAYE/NIC been properly operated by the Council as an employer?			
Assets Controls	Does the Council keep an Assets Register of all material assets owned?			
	Is the Register up to date?			
	Do asset insurance valuations agree with those in the Register?			
Bank Reconciliation	Is there a bank reconciliation for each bank account?			
	Is the bank reconciliation carried out regularly on the receipt of statements?			

	Are there any unexplained balancing entries in any reconciliation?			
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?			
	Do accounts agree with the cashbook?			
	Is there an audit trail for underlying financial records to the accounts?			
	Where appropriate, have debtors and creditors been properly recorded?			
GDPR	Is the Council working within the GDPR			