

Thurston Parish Council

2020/21 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 2021 following the completion of the 2020/21 Accounts and will enable the completion of the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) for the year 2020/21.

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

- a) 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?
- b) Confirm that a Responsible Financial Officer is in post with specific duties agreed under contract.
- c) Did the Council ensure that essential business continued efficiently during the Covid-19 pandemic? Did the Council give all necessary delegated authority to the Clerk/RFO and nominated Councillors to maintain essential services?
- d) Has the Council applied the Regulations brought into effect as a result of Covid-19 enabling local councils to hold remote meetings (including by video and telephone conferencing) until May 2021 and not to hold an Annual Meeting in 2020/21?
- e) Confirm that the Local Code of Conduct has been adopted and is being correctly applied. Were Councillors consulted on the proposed new model Code of Conduct?
- f) 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?
- g) 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 e.g. data security breaches?
- h) Do the Council's Minutes (for Full Council and for its Committees, if appropriate) provide a clear record of the actions and decisions taken?
- i) Has the Council reviewed and approved the membership and terms of reference for its Committees (or resolved under present legislation to continue these arrangements until May 2021)?
- j) 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?
- k) Is the Council meeting the website accessibility regulations which applied from 23 September 2020? Has a Website Accessibility Statement been published?

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 2019/20 submitted to the District Council by the due date of 31 December 2020? Has a CIL Report been prepared for the year 2020/21?

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 2021 been performed correctly? Can the Bank Reconciliation be confirmed from Bank Statements and investment records and have any un-presented payments or receipts (if appropriate) been correctly identified in the Reconciliation?
- c) Are there any unexplained balancing entries in any reconciliation?
- d) Do the Council (and its Committees, if appropriate) 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 (Income and Expenditure)? Confirm correctness of entries in year-end accounts on a sample basis.
- b) Are the year-end Income and Expenditure Account and Balance Sheet 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) Are Listed Debtors and Listed Creditors correctly recorded in the Balance Sheet and supported by documentary evidence?
- e) Is there a clear audit trail from underlying financial records to the End-of-Year accounts?
- f) If appropriate, does the PWLB principal outstanding at the year-end agree with PWLB's notification and information listed on the PWLB website?
- g) Are there any outstanding legal, regulatory or contractual issues that may impact upon the Council and may require to be reflected in the accounts?
- h) Has the End-of-Year AGAR for 2020/21 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 2020/21 and 2021/22 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 2020/21 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?

6. Internal Financial Controls, Payments Controls and Audit Procedures

A sample of payments made during the period April 2020 to March 2021 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 payment 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 2019/20 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 2019/20 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 being 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 2020 to March 2021 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?

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) Did the Council construct specific risk assessments relating to the impact of Covid-19, particularly with regard to the assets (such as play equipment and office buildings) under its control?
- d) 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?
- e) 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?

- f) Has insurance cover been reviewed by the Council and a new policy entered into for the year 2020/21? 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 2020?
- 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 Certificate and Report from the External Auditors for the year 2019/20 been presented to the Council?
- b) Have all matters raised by the External Auditor been agreed/addressed by the Council or an Action Plan put in place?

12. Publication of Information

- a) Has the Council met the statutory deadlines for the publication of documents on a publicly accessible website for the 2019/20 accounts? (N.B. the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the statutory deadlines for the publication of the 2019/20 documents).

13. Responsibilities as a Sole Trustee

- a) Is the Council meeting its responsibilities as a sole trustee of the Thurston Recreation Ground Trust Charity? Are reports regarding the Charity provided to the Council?
- b) Has the required Annual Update been submitted to the Charity Commission within the designated time-limit?

14. Other Matters

- a) Are there any areas in which the Clerk/RFO (or Council staff, if appropriate) require additional training or support?
- b) 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?

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TREVOR BROWN CPFA
Internal Audit Services
Charnwood, California, Woodbridge, Suffolk IP12 4DE
Tel: 01394 384698 or 07587 523764
Email: tadbrown01@yahoo.co.uk