

**DONYATT PARISH COUNCIL
INTERNAL AUDIT PLAN**

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT:

The Accounts and Audit Regulations (as amended in 2006) requires all bodies to carry out and report on an annual review of the effectiveness of internal audit. This policy was approved at a meeting held on 12th January 2015 Min No 15/18

- 1 Review of systems of internal control
- 2 Review of the effectiveness of the Internal Audit

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

- Duty under the Regulations (2006) on the Council (members)
- Is the Internal Audit properly resourced?
- Does the Internal Audit add value?
- Is the Internal Audit forward looking
- Is the Internal audit challenging

The Parish Council needs to agree the **Terms of Reference** for the Internal Audit

RISK MANAGEMENT

- 1 Risk, the basics ‘What is the Council existing for?’
- 2 What will put that, or the Council at risk?
- 3 Identify key risks
- 4 Evaluate the consequences
- 5 Categories of Risk (High Medium or Low). Features: value and probability
- 6 Manage Risk: Insure, Contract out, Manage
- 7 Insurance:
Mandatory: Employers Liability, Fidelity Guarantee
Strongly Recommended: Public Liability, Errors and Omissions
 Assets Defamation
- 8 Internal Auditor: Competent, Independent, Not a member of the Council, Not Reciprocal.

INTERNAL AUDIT AT A PARISH COUNCIL

- Verify the system works
- Verify operations of control
- Test check only together with our Risk Assessment Document
- Report what is done
- Report to Council
- Report for External Auditor

The Council’s Internal Audit Process

Documents/books that are submitted to the Independent Internal Auditor are:

Account Book	Invoices and till receipts
Minute Book	Bank Statements
Financial Regulations	NALC recommended salary sheet
Systems of Internal Control	Real Time Information monthly salary schedules
Insurance documents	Receipts & bacs
Precept & Budget papers	Cheque books
Standing Orders	Receipt and paying in books
Clerks Contract	Completed VAT form

Working papers submitted to the Internal Auditor

Clerks expenses plus invoices, documents, till receipts

Receipts and payments sheet

Document stating where the Council carried out the Internal Control

Receipt and Account

Balance Sheet

Notes to the Balance Sheet

Accounts from the previous year

A suggested guide approach to internal audit testing

Annual Return, section 4, to fill in

Variations sheet 15% greater or lower (requirement by External Auditors)

End of year bank reconciliation (Requirement by External Auditors)

- 1 The I/A will undertake audit trails for a variety of payments, both regular and one off payments.
 - Check approval for the payment in the minutes, with the 'Power' recorded in the minutes where relevant
 - Check invoice with payment slip is signed by a councillor
 - Check entry in cash book and VAT accounted for appropriately
 - Check entry on the appropriate bi-monthly Financial Report, where the bank balance is cross checked with the numbered Bank Statement and signed by a Councillor and becomes a part of the minutes.
 - Check cheque number and amount entry on the Bank Statement
 - Check that the cheque stub is initialed by a Councillor
- 2 The I/A will undertake an audit trail for receipts, the precept payment.
- 3 The I/A will inspect the Precept and Budget for the appropriate year and check that reserves are appropriate
- 4 The I/A will check balances of Bank Statements with those on the Financial Reports
- 5 At the end of the Financial Year, the I/A will check all balances on the Working Sheets and Financial papers submitted
- 6 The I/A will check that the Asset Register is complete and properly maintained
- 7 The I/A will check that the salary paid to the Clerk is paid in accordance with Council approval and PAYE and NI requirements are properly applied. Any allowances paid to the members were paid in accordance with Council approval
- 8 The I/A will check the explanations by the Clerk of the variations (15% greater or lower) in any figures given on the Statement of Accounts Section 1 compared to the previous year
- 9 The I/A will check the end of year bank reconciliation explanation

DONYATTPARISH COUNCIL

TERMS OF REFERENCE FOR THE INTERNAL AUDITOR

The person appointed to be the Parish Council Internal Auditor must be independent of the Council. They must not be a councillor or closely related to a councillor, and not an employee of the Council

The I/A must be competent at book keeping with an understanding of Parish Council and their finances

The I/A will be required to check the various documents supplied by the Clerk after year end but before External Audit is due.

The I/A should be prepared to ask questions if the Clerk has not supplied sufficient documentation or information, or if it is considered records are not complete.

The I/A should criticize practices or make suggestions where appropriate

The I/A must complete and sign the Annual Internal Audit Report Section 4 of the Annual Return, which is sent to the appointed External Auditor of the audit Commission