



## **Internal Audit Plan**

### **Internal Control Check**

1. The Council will carry out an internal control check at least once each year. The internal control check will be in accordance with the Internal Audit Testing document at Appendix 1 ("Internal Audit Testing"). This document is based on Appendix 9 of Governance and Accountability for Local Councils, A Practitioners Guide (England) 2014.
2. The internal control check will be carried out by members of the Council who are not signatories to any of the Council's accounts or investments.
3. The results of the internal control check will be reported to Council at the first opportunity.

### **Internal Auditor**

4. The Council will engage an Internal Auditor to carry out an interim internal audit in October of the current financial year and a final internal audit in May following the end of the financial year.
5. The Internal Auditor will:
  - Be independent of the Council
  - Understand basic book-keeping and accounting processes.
  - Understand the role of internal audit in reviewing systems.
  - Be aware of risk management issues.
  - Understand proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities, as set out in the Joint Panel on Accountability and Governance Practitioners' Guide 2020 ("the Guide")
  - Will possess a copy of the Guide
  - Have awareness of the relevance of VAT and PAYE/NIC as applied to the Council
6. The Internal Auditor will work to the requirements and guidance contained in the Joint Panel on Accountability and Governance Practitioners' Guide 2020. The Internal Auditor's work will consider the whole of the Town Council's system of internal control, including risk management.
7. The Internal Auditor's report will cover the areas outlined in the Internal Audit Testing document at Appendix 1. The Internal Auditor may, from time to time, be requested to carry out other tests on the Council's financial and accounting systems and governance arrangements over and above those listed in Appendix 1.
8. The Internal Auditor will have direct access to the Clerk to the Council, the Responsible Financial Officer and the Chairman.
9. The Internal Auditor will report in his/her own name to the Council.

10. The Internal Auditor will have no other role within the Council.
11. The Internal Audit will be carried out ethically, with integrity and objectively.
12. The Clerk and the Responsible Financial Officer to the Council will be consulted on the Audit Plan and on the scope of the audit.
13. The Risk Assessment Policy will define responsibilities for officers and members in relation to internal control and risk management. Training will be provided as appropriate. If an officer suspects fraud or corruption by a member, that officer will first discuss the matter with the Internal Auditor. If a member suspects fraud or corruption by an officer, the member will first discuss the matter with the Internal Auditor.
14. The Internal Auditor will report the Internal Audit findings in writing to the Council by 31<sup>st</sup> May and 31<sup>st</sup> October each year.
15. The Internal Auditor's report must be considered by the Council at the first opportunity.
16. The objective of the Internal Audit is to enable the Council to assess whether, in all significant respects, the internal control objectives are being achieved throughout the financial year to a standard adequate to meet the needs of the Council.

#### **Review of Internal Audit**

17. The Council will each year carry out a review of the effectiveness of its overall internal audit arrangements.
18. The aim of the review will be to assure the Council that it has maintained the standards of an adequate and effective internal audit of its risk management, control and governance processes. It will include as a minimum an assessment of the following:
  - the scope of internal audit
  - independence
  - competence
  - relationships with the clerk and the authority
  - audit planning and reporting
19. The review will be conducted using the Internal Audit Review Checklist at Appendix 2.
20. The review will be carried out by two members of the Council.
21. The review will be reported to the Council at the first opportunity.

Attached:

Appendix 1 - Internal Audit Testing – based on Appendix 9 of Governance and Accountability for Local Councils: A Practitioners Guide (England) 2014

Appendix 2 – Internal Audit Review Checklist

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Reviewed: 29<sup>th</sup> May 2025

Next review date: May 2026

## Appendix 1

### Horsforth Town Council: Internal Audit Testing

Based on Appendix 9 of Governance and Accountability for Local Councils: A Practitioners Guide (England) 2014

Internal Control	Suggested Testing
Proper bookkeeping	<ul style="list-style-type: none"> <li>Is the cashbook maintained and up to date?</li> <li>Is the cashbook arithmetic correct?</li> <li>Is the cashbook regularly balanced?</li> </ul>
<p>a) standing orders and financial regulations adopted and applied; and</p> <p>b) payments controls</p>	<ul style="list-style-type: none"> <li>Has the council formally adopted standing orders and financial regulations?</li> <li>Has a Responsible finance officer been appointed with specific duties?</li> <li>Have items or services above the de minimus amount been competitively purchased?</li> <li>Are payments in the cashbook supported by invoices, authorised and minuted?</li> <li>Has VAT on payments been identified, recorded and reclaimed?</li> <li>Is s137 expenditure separately recorded and within statutory limits?</li> </ul>
Risk management arrangements	<ul style="list-style-type: none"> <li>Does a review of the minutes identify any unusual financial activity?</li> <li>Do minutes record the council carrying out an annual risk assessment?</li> <li>Is insurance cover appropriate and adequate?</li> <li>Are internal financial controls documented and regularly reviewed?</li> </ul>
Budgetary controls	<ul style="list-style-type: none"> <li>Has the council prepared an annual budget in support of its precept?</li> <li>Is actual expenditure against the budget regularly reported to the council?</li> <li>Are there any significant unexplained variances from budget?</li> </ul>
Income controls	<ul style="list-style-type: none"> <li>Is income properly recorded and promptly banked?</li> <li>Does the precept recorded agree to the Council Tax authority's notification?</li> <li>Are security controls over cash and near-cash adequate and effective?</li> </ul>
Petty cash procedures	<ul style="list-style-type: none"> <li>Is all petty cash spent recorded and supported by VAT invoices/receipts?</li> <li>Is petty cash expenditure reported to each council meeting?</li> </ul>

Internal Control	Suggested Testing
	<ul style="list-style-type: none"> <li>• Is petty cash reimbursement carried out regularly?</li> </ul>
Payroll Controls	<ul style="list-style-type: none"> <li>• Do all employees have contracts of employment with clear terms and conditions?</li> <li>• Do salaries paid agree with those approved by the council?</li> <li>• Are other payments to employees reasonable and approved by the council?</li> <li>• Have PAYE/NIC been properly operated by the council as an employer?</li> </ul>
Assets controls	<ul style="list-style-type: none"> <li>• Does the council maintain a register of all material assets owned or in its care?</li> <li>• Are the assets and Investments registers up to date?</li> <li>• Do asset insurance valuations agree with those in the asset register?</li> </ul>
Bank Reconciliation	<ul style="list-style-type: none"> <li>• Is there a bank reconciliation for each account?</li> <li>• Is a bank reconciliation carried out regularly and in a timely fashion?</li> <li>• Are there any unexplained balancing entries in any reconciliation?</li> <li>• Is the value of investments held summarised on the reconciliation?</li> </ul>
Year-end procedures	<ul style="list-style-type: none"> <li>• Are year end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)?</li> <li>• Do accounts agree with the cashbook?</li> <li>• Is there an audit trail from underlying financial records to the accounts?</li> <li>• Where appropriate, have debtors and creditors been properly recorded?</li> </ul>

## Appendix 2

### Internal Audit Review Checklist: Part 1 – Meeting standards

Expected Standard	Evidence of Achievement	Yes or No	Areas for development
1. Scope of internal audit	<ul style="list-style-type: none"> <li>Terms of reference for internal audit were (re)approved by full council on.....</li> <li>Internal audit work takes into account both the council's risk assessment and wider internal control arrangements.</li> <li>Internal audit work covers the council's anti-fraud and corruption arrangements.</li> </ul>		
2. Independence	<ul style="list-style-type: none"> <li>Internal audit has direct access to those charged with governance (see Financial Regulations).</li> <li>Reports are made in own name to management.</li> <li>Internal audit does not have any other role within the council/board.</li> </ul>		
3. Competence	<ul style="list-style-type: none"> <li>There is no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity.</li> </ul>		
4. Relationships	<ul style="list-style-type: none"> <li>All responsible officers (Clerk and RFO) are consulted on the internal audit plan. (Evidence is on audit files).</li> <li>Respective responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters (job descriptions and engagement letter).</li> <li>The responsibilities of council members are understood; training of members is carried out as necessary. (See Member training plan).</li> </ul>		
5. Audit planning and reporting	<ul style="list-style-type: none"> <li>The annual internal audit plan properly takes account of all the risks facing the council and has been approved by the council on.....</li> <li>Internal audit has reported in accordance with the plan on .....</li> </ul>		

## Internal Audit Review Checklist - Part 2 - Characteristics of Effectiveness

Characteristics of 'effectiveness'	Evidence of Achievement	Yes or No	Areas for development
1. Internal audit work is planned	<ul style="list-style-type: none"> <li>Planned internal audit work is based on risk assessment and designed to</li> <li>meet the council's needs.</li> </ul>		
2. Understanding the whole organization, its needs and objectives	<ul style="list-style-type: none"> <li>The annual audit plan demonstrates how audit work will provide assurance for the council's Annual Governance Statement.</li> </ul>		
3. Be seen as a catalyst for change	<ul style="list-style-type: none"> <li>Internal audit supports the council's work in delivering improved services to the community.</li> </ul>		
4. Add value and assist the organisation in achieving its objectives	<ul style="list-style-type: none"> <li>The council makes positive responses to internal audit's recommendations and follows up with action where this is called for.</li> </ul>		
5. Be forward looking	<ul style="list-style-type: none"> <li>In formulating the annual audit plan, national agenda changes are</li> <li>considered.</li> <li>Internal audit maintains awareness of new developments in the services,</li> <li>risk management and corporate governance.</li> </ul>		
6. Be challenging	<ul style="list-style-type: none"> <li>Internal audit focuses on the risks facing the council.</li> <li>Internal audit encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations.</li> </ul>		
7. Ensure the right resources are available	<ul style="list-style-type: none"> <li>Adequate resource is made available for internal audit to complete its work.</li> <li>Internal audit understands the council and the legal and corporate framework in which it operates.</li> </ul>		