

# Scope of Internal Audit

Ref: KPC Meeting 10 March 2021 Appendix 4

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## *An approach to internal audit testing*

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>
a) standing orders and financial regulations adopted and applied; and b) payments controls	<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> <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>