

### **1. Checking that books of account have been properly kept throughout the year**

Establish whether the cashbook is maintained on a bespoke accounting package, in manuscript or spreadsheet format.

Review the procedure for and frequency of entering detail in the record

Does the ledger/cashbook include sufficient analysis to make preparation of the annual Accounts and Annual Return straightforward?

Is VAT identified separately in the coding analysis / cashbook?

Are grants under specific powers and S.137 payments identified separately in the coding analysis / cashbook?

Verify that previous year closing balances are correctly brought forward?

Where applicable, check the procedures in place for preparing and counter checking of journals.

Test a sample of transactions throughout the year between the cashbook and bank statements and inter account transfers

Where accounting software is in use, check backup and restore procedures to ensure integrity of information.

### **2 Review of Corporate Governance; Potential risks of Fraudulent Activity**

Has the Council prepared and adopted Standing Orders and Financial Regulations? (*Obtain a copy*)

Establish whether the Council has prepared detailed procedural documentation for all financial procedures

Review minutes for any salient financial or other issues that may affect the Council's future performance and financial stability.

Review and assess the council's approach to corporate governance and assess adequacy for completion of the certificate at Part 2 of the Annual Return.

Consider the potential for fraudulent or corrupt practice and identify any additional controls required to mitigate against such activity

Consider any areas where scope exists for improvements in service provision leading to the achievement of better VFM.

### **3. Review of Payment Procedures; Approvals and Associated issues including VAT identification and recovery**

Identify and document the Council's approach to the approval of expenditure (ordering and invoice certification) and release of moneys to traders. Where BACS and / or Direct Debits are used, ensure that appropriate authorisation procedures are in place over the release of moneys. Also ensure that appropriate maximum limits have been agreed with the bankers over individual and weekly / monthly transaction levels.

Are payments supported by invoices /or other appropriate forms of supporting documentation, such as acknowledgements of receipt (grants, donations, etc. where no invoice is appropriate)?

Ensure that, where an official ordering system is in place, an order has been raised for each item of goods or services provided (NB. This will be dependent on size of council).

Ensure that the appropriate Cost Centre and Nominal Codes have been applied to payments in the test sample

Ensure that the Council's SOs and FRs have been observed when obtaining tenders and quotes for supply of goods and services.

Are all payments, including bank charges, direct debits, etc. formally recorded in the minutes identifying the cheque number (where appropriate), payee and amount (including VAT)?

Is VAT correctly calculated and recorded in the financial ledger / cashbook? Ensure that VAT is recovered periodically and verify, as a minimum, the year-end reclaim to the underlying records.

Prepare and update annually the analytical review spreadsheet of payments made in the year once the Accounts have been finalised.

### **4. Assessment and Management of Risks**

Determine whether or not the Council has developed a formally adopted Risk Management Strategy and obtain a copy of the document

Ensure that the Council undertakes an annual assessment of the risks (both financial and Health & Safety issues) that it may potentially face, also identifying the potential for the risks coming to fruition and, if they did, the financial outcome.

Review the Council's insurance policy(ies) to ensure that adequate coverage has been obtained for all aspects and that all appropriate assets are adequately insured.

### **5. Precept determination and budget control**

Has the Council undertaken a budget determination exercise, which forms the basis of the annual precept request from the parent Council? Examine and assess its adequacy

Does the Council receive regular reports identifying the budget position throughout the year?

Has the Council formally approved the establishment of specific reserves?

Are the utilisation of reserves and the return of unused balances to the General Fund reported to the Council at regular intervals?

Review year-end reserves and General Fund balances to ensure that they are both appropriate and are likely to be utilised.

Review the year-end outturn and follow up any significant variances from the proposed detailed budget

## **6. Review of Income Control Systems**

Establish the sources of income available to the Council and determine whether the Council has implemented any form of monitoring to ensure that income due is accounted for and recovered.

Review income levels and compare with previous years. Where significant variances between years are identified, undertake more detailed testing, as per the attached schedules for each source of income where significant variances exist.

Does the Council regularly review the level of fees and charges for its services? Are these comparable with neighbouring Councils?

As and when each income stream is examined formally document the procedures and controls in place and test for compliance with those controls accordingly.

Trace a sample of income from source documents such as hall and sports field booking diaries, undertaker's burial applications, etc. through Council receipts to the bank slips and statements.

Ensure that all receipts are banked promptly and that receipts clearly identify whether income is by way of cash or cheques. Ensure that the bank paying in slip reflects the correct analysis between cash and cheques.

Check whether or not the Council has established whether it should be charging VAT for services provided and ensure that these are correctly entered in the relevant accounting records

Review sales ledger detail for any long-standing uncleared debts and/ or unmatched receipts.

Review detail on nominal accounts for any unusual entries or apparent areas where income due to the Council is not being received promptly or appropriately

## **7. Petty cash records**

Establish whether the Council operates a petty cash account and assess the soundness of the control system.

If it does, is it operated on an 'imprest' basis with regular reimbursement?

Has the Council formally agreed the level of petty cash imprest to be held and do they review and approve reimbursements?

Are all payments supported by a signed petty cash voucher and / or a trader's invoice/till receipt?

Is VAT being identified in the petty cash records and recovered at regular intervals?

Ensure that reimbursement cheques are correctly recorded in the petty cash records.

Agree physical cash held to underlying records.

## **8. Salaries and wages**

Identify and document the Council's procedures in relation to the appointment of new personnel, processing of variable wages and other salary enhancements and processing of weekly / monthly payrolls. Ensure that appropriate controls are in place to verify the accuracy of net payments to staff and Tax / NI & pension contributions to the relevant agencies.

Does the Council review salary levels annually and formally record approval of any variance in salary and allowances?

Review employment contracts and ensure they are both current and identify the employee(s)' hours and annual salary/hourly rate of pay.

Does the Council maintain formal payroll records and deduct tax and NI at source?

Review and assess the adequacy of controls over the calculation of staff annual / monthly pay and release of funds.

Check a sample of payslip details to supporting records/Council approved salary levels for both accuracy of amount paid and, where relevant, certification by an appropriate officer.

Check payroll deductions to tax and NI tables using the current year's HMRC CD-Rom to ensure accuracy and that the correct tables are being applied.

Ensure that pension contributions are being calculated appropriately in line with the revised LG scheme introduced on 1/4/08 and with amended bandings applying from 1/4/09.

Ensure that any additions to pay (overtime and allowances) have been properly approved by a senior officer and are correctly calculated.

Verify the accuracy of payments made to individuals and external agencies in the month under review.

Ensure that year-end returns have been completed accurately and in accordance with the required time scale for their lodgement with HMRC.

## **9. Asset Registers**

Establish whether the Council is maintaining an Asset Register and Inventory as required by the 1996 Accounts and Audit Regulations.

Has the Council formally determined the level at which expenditure is to be capitalised?

Does the Asset Register identify all assets and equipment owned by the Council, separately detailing capital assets and those of an inventory nature (i.e. those below the approved capitalisation threshold)?

Ensure that the Asset Register corresponds with the Insurance schedule of assets

## **10. Investments & Loans**

Where investments are held, the Council should maintain a register of investments. Ensure that a register is being maintained and that the Council's Accounts accurately record the detail.

Verify the value of investments held to prime documents and obtain copies for future reference.  
Ensure that the Council is receiving all dividends and interest due on investments and that detail is recorded in the register of Investments.  
Ensure that any new loans acquired in the year have been subjected to the appropriate loan sanction approval procedures, review and obtain copies of the relevant documentation.  
Ensure that the balance of loans recorded in the Accounts/Annual Return is correct and that interest and capital repayments are correctly recorded in accordance with CIPFA guidance  
Where the Council has issued loans to local bodies, review and obtain copies of the relevant agreements and ensure that appropriate guarantees have been obtained.

## **11. Bank reconciliations**

Ensure that the Council has, as a minimum, carried out a reconciliation of the cashbook to the bank account(s) at the year-end.  
Review detail on a sample reconciliation(s) during the year and specifically that at the financial year-end: agree detail to both the cashbook and bank statements.  
Ensure that any 'out of date' cheques are being written back promptly in the cash book.  
Review the reconciliation for any other abnormal/balancing entries and verify their accuracy.

## **12. Financial Statements**

Examine the Statements of Account to ensure that they are complete including: for Council's with budgeted income between £200,000 & £1,000,000: An Income & Expenditure Account; A Balance Sheet; A Supporting Statement  
Agree the Accounts to the cashbook/financial ledger, including adjustments for opening and closing debtors and creditors  
Where appropriate, review the Council's arrangements for identifying year-end debtors and creditors and test the accuracy of those disclosed by reference to new year receipts and payments.  
Ensure that no debtors (or creditors) remain unpaid for an undue length of time and that the Council has appropriate debt recovery procedures.  
Agree the value of outstanding Loans recorded in the Balance Sheet and/or Supporting Statement to supporting documentation (PWLBS statements at 31 March).  
Ensure that the value of capital acquisitions recorded on the SR&PA or I&EA agrees with the increased value recorded on the Supporting Statement/Balance Sheet.  
Ensure that certified stock sheets support the value of any stocks recorded on the Balance Sheet.  
Where appropriate, ensure that retail/selling price control accounts are being prepared for all saleable stocks.  
Ensure that the upper limit for S.137 expenditure in the year has been correctly calculated and recorded in the Supporting Statement.  
Ensure that all appropriate expenditure has been identified as S.137 in the I&EA and Supporting Statement  
Ensure that all known Post Balance Sheet Events (PBSE) and Capital Commitments (where a contract has been signed at 31 March) are recorded in the Supporting Statement.  
Ensure that the Supporting Statement records all relevant detail in line with the NALC model(s) and Financial Reporting Standards dependent on the size of the Council's budgeted income.  
Ensure that the appropriate treatment has been applied to any charitable funds for which the Council acts as trustee (sole or custodial): NB. they should be excluded from the Annual return detail.  
Agree detail on the Annual Return to the Statement of Accounts.