

Council Meeting – 27 October 2016
CC1649/16 - Parish Council's Internal Audit Review

Introduction

Each year the Council has to undertake a review of the effectiveness of our internal audit process. This paper addresses that matter.

Review of Effectiveness

The review of effectiveness needs to take account of the following:

Expected Standard	Evidence of Achievement
Meeting the Standards	
1. Scope of internal audit	Terms of reference are approved by full council Scope of audit work takes into account risk management processes and wider internal control Terms of reference define audit responsibilities in relation to fraud
2. Independence	Internal Auditor has direct access to those charged with governance. Reports are made in own name to management. Auditor does not have any other role within the council/board.
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.
4. Relationships	Responsible officers (Clerk/RFO) are consulted on the internal audit plan and on the scope of each audit. Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters. The responsibilities of council members are understood; training of members is carried out as necessary. (Members training plan).
Expected Standard	Evidence of Achievement
5. Audit Planning and reporting	The Audit Plan properly takes account of corporate risk. The plan is approved by the council. Internal Audit is reported to Council.

Characteristics of Effectiveness	
a. Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.
b. Understanding the whole organisation its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement
c. Be seen as a catalyst for change	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics
d. Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for
e. Be forward looking	When identifying risks and in formulating the annual audit plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance
f. Be challenging	Internal audit focuses on risks and encourages managers/Members to develop their own responses to risks, rather than relying on solely audit recommendations. The aim of this is to encourage greater ownership of the control environment.
g. Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work. Internal auditor understands the body and the legal and corporate framework in which it operates.

The Audit Plan:-

Expected Standard 1 – Scope of Internal Audit

To address the matter of the Scope of the Internal Audit:

- the coverage of the internal Audit has been designed to afford appropriate assurance that the Council's financial systems are robust and operate in a manner to ensure effective probity of transactions and to afford a reasonable probability of identifying any material errors or possible abuse of the Council's own and the national statutory regulatory framework. The programme of cover is also designed to facilitate certification of the Annual Return that, under the current Accounts and Audit Regulations, acts as the Council's formal Statement of Accounts that is subject to external audit certification.

The key areas for the Terms and Reference and Scope are:

1. Maintenance of Accounting Records & Bank Reconciliations

The objective is to ensure that the accounting records are being maintained accurately and currently and that no anomalous entries appear in cashbooks or financial ledgers.

2. Review of Corporate Governance

The objective is to ensure that the Council has a robust regulatory framework in place, that Council and Committee meetings are conducted in accordance with the adopted Standing Orders and that no actions of a potentially unlawful nature have been or are being considered for implementation.

3. Review of Payments

The aim is to ensure that: -

- Council resources are released in accordance with the Council's approved procedures;
- Funds are expended in accordance with approved budgets;
- An appropriate official ordering process is utilised for the purchase of goods and services where necessary, with the minutes also indicating that quotations have been obtained where applicable;
- Payments are supported by appropriate documentation, either in the form of an original trade invoice or other appropriate form of document confirming the payment as due and/or an acknowledgement of receipt, where no other form of invoice is available;
- The correct expense codes have been applied to invoices when processed; and
- VAT has been appropriately identified and coded to the control account for periodic recovery and that submissions have been returned in a timely manner.

4. Assessment and Management of Risk

The aim here is to ensure that the Council has put in place appropriate arrangements to identify all potential areas of risk of both a financial and health and safety nature, whilst also ensuring that appropriate arrangements exist to monitor and manage those risks in order to minimise the opportunity for their coming to fruition

5. Budgetary Control and Reserves

The aim is to ensure that the Council has appropriate procedures in place to determine its future financial requirements leading to the adoption of an appropriate budget and the formal determination of the amount to be precepted on the District Council, that effective arrangements are in place to monitor budgetary performance throughout the financial year and that the Council has identified and retains appropriate reserve funds to meet future spending plans.

6. Review of Income

The aim is to ensure that any income received is banked in a timely manner and properly coded to the appropriate income code.

7. Salaries and Wages

The aim here is to ensure that appropriate procedures are in place to verify the monthly salaries of Council staff which is administered by Arinso Northgate - the same company currently used by Three Rivers District Council and Watford Borough Council for payroll management.

8. Fixed Assets

The Accounts and Audit Regulations require all councils to maintain a record of all assets owned.

9. Statement of Accounts and Annual Return

The aim is to examine the detailed Annual Accounts and Supporting Statements prepared, as for previous years, by DCK Beavers Limited on behalf of the Council as soon as they are available, agreeing detail therein to the appropriate documentation, as recorded in the Omega (the accounts system) ledgers and other supporting records.

Additionally, to verify the accuracy of detail to be recorded in Section 1 of the Annual Return to the previous year's detail and to the current year's Accounts and duly sign off the internal audit certificate for the year.

Expected Standard 2 – Independence

To address the matter of Independence the Accounts and Audit Arrangements introduced from 1 April 2001 required all Town and Parish Councils to implement an independent internal audit examination of their Accounts and accounting processes annually. Croxley Green Parish Council has complied with these arrangements by appointing an independent company divorced from the Council's decision making processes. The Council's internal auditors are Auditing Solutions Ltd and reports are prepared and issued to the Parish Council in their name.

Expected Standard 3 – Competence

Auditing Solutions internal audit approach employs a combination of selective sampling techniques (where appropriate) and 100% detailed checks on the key areas 1 - 9 listed above in order to gain sufficient assurance that the Council's financial and regulatory systems and controls continue to be appropriate and fit for the purposes intended.

Auditing Solutions are a very respected company and carry out auditing for a large number of Parish, Town and District Councils throughout the country.

Expected Standard 4 – Relationships

As the Clerk (who is also the Responsible Finance Officer for the Council) is responsible for putting this audit plan into place to ensure that all elements of the Council's affairs are properly scrutinised, awareness of the plan and its detail and the responsibilities between the Clerk and the internal auditor is accounted for. The key areas for the Terms and Reference and Scope, above, clearly sets out the role of the internal auditor and the role and responsibility of the Clerk is clearly defined in ensuring that there are adequate and appropriate systems in place in relation those Terms of Reference and Scope.

Expected Standard 5 – Audit Planning and reporting

An interim internal audit was undertaken on 4 October 2016 under the principles of this paper and an end of year audit is produced as soon after the end of the financial year as possible. All internal audit reports are brought before Council.

Characteristics of Effectiveness (a – g)

The details set out above provides and includes all the characteristics required for an effective and independent internal audit with the Clerk making available his time and any information required by the Auditor during his visit for the audit to be satisfactorily undertaken and concluded.

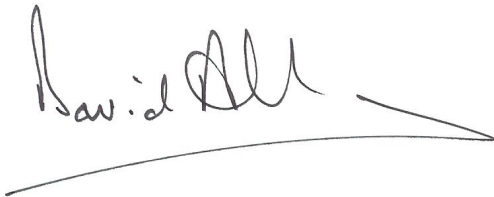
The Auditor and Clerk openly and freely discuss any matters that may arise or any new initiatives or methodologies that would improve the effectiveness of the Council's systems.

The Council's current internal auditors are familiar with the workings of this Council by inspection of its Minutes which provides a continuity of understanding of the workings of this Council.

Any actions that are identified in the internal audit report are taken on board and an appropriate documented response is provided.

Recommendation

Members are invited to discuss and adopt the Audit Plan above.

A handwritten signature in black ink that reads "David Allison". The signature is written in a cursive style. Below the signature is a long, thin horizontal line that tapers to a point on the right side.

David Allison
Clerk to the Council