

## ETWALL PARISH COUNCIL

Meeting of Etwall Parish Council – 2<sup>nd</sup> April 2012

Minute No. ....

### Review of Effectiveness of Internal Audit

The Accounts and Audit Regulations 2006 require that all local councils review the effectiveness of internal audit on an annual basis and that all members of the council understand both their and the councils' responsibilities.

In order to comply with this requirement for the current financial year (2011/12) a review was undertaken by the Finance Committee at a meeting on 19<sup>th</sup> March 2012, the outcome of which was as follows:-

#### 1 Scope of Internal Audit –

The Finance Committee, in consultation with the RFO (the Clerk), have reviewed the scope of the Audit Programme and are satisfied that it takes account of corporate risk.

The Finance Committee undertook a review of the Council's 'Financial Risk Assessment' document updating where necessary and are satisfied that the identified financial risks and internal financial controls are adequate.

#### 2 Independence and Responsibilities –

The Finance Committee is satisfied that our present Internal Auditor, Mr Barry Woodcock, is suitably independent of Etwall Parish Council, holding no other role and having no connection with any current members.

In the event of any fraud being uncovered by the appointed Internal Auditor direct access will be required to those charged with governance, i.e. the Chair.

The Finance Committee consider that all reports from the internal auditor should be made in writing and in the auditor's own name, and in addition completed on a 'negative basis' i.e. only those areas where improvements or amendments are recommended are included in the report. If however there are NO matters arising, i.e. nothing to bring to the attention of Members, the report should say so.

#### 3 Competence –

The Finance Committee is satisfied that our present internal auditor, Mr Barry Woodcock, is suitably qualified and competent. He was an approved District Auditor

for a number of years, currently audits a large number of parish accounts and is fully conversant with current financial legislation and requirements. There is no evidence that might suggest his previous audits have not been carried out ethically, and with integrity and objectivity. The Finance Committee therefore recommends his appointment as auditor of the Parish Council's accounts for the next financial year.

#### Relationships –

The recommended Audit Programme has been prepared in consultation with the RFO.

The responsibilities of the RFO in respect of any audit of the council's accounts is defined in the 'Conditions of Employment'. The council's risk assessment document is reviewed at least annually in consultation with the RFO.

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In order to ensure the Parish Council conforms to the Accounts and Audit Regulations 2006, the Finance Committee offer the above report and list the following recommendations to the Parish Council for formal approval and acceptance.

The Finance Committee make the following **recommendations**:

- 1) The Council record that each member has a copy of the Parish Councils adopted Finance Regulations, Standing Orders and Finance 'Risk Assessment' documents.
- 2) That Mr Barrie Woodcock (the present auditor) be retained as Internal Auditor for next year's financial audit.
- 3) The Council request the Internal Auditor carry out an audit of the Parish Council accounts as detailed in the audit programme attached as appendix 1.
- 4) The Council request the Internal Auditor to report (in writing) in his own name in accordance with the plan.
- 5) The reviewed and updated 'Financial Risk Assessment' document, should be adopted.
- 6) The Internal Auditor be given direct access to those charged with governance, i.e. the Chair.
- 7) The Internal Auditor be requested to submit reports on a 'negative basis'. If however there are NO matters arising, the report should say so.

## INTERNAL AUDIT SERVICE FOR ETWALL PARISH COUNCIL

## AUDIT PROGRAMME

I certify that I have carried out the tests detailed below in accordance with the suggested approach contained in the 2003 edition of "Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide". Where an entry has been made in column 4 the supporting Working Papers are attached.

Signed.....Date.....

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Previous Internal Audit Report	Do the minutes record that Council has considered the Internal Audit Report for the previous year and the matters arising addressed?			
Proper bookkeeping	Is the cashbook maintained and up to date?			
	Is the cashbook arithmetically correct?			
	Is the cashbook regularly balanced?			
Standing Orders and Financial Regulations	Has the Council formally adopted Standing Orders and Financial Regulations?			
	Has a Responsible Financial Officer been appointed?			
	Have items or services above a de minimis amount been competitively purchased?			
	Are payments in the cashbook supported by invoices and have they been authorised and minuted?			
	Has VAT on payments been identified, recorded and reclaimed?			
	Is Section 137 expenditure separately recorded and within statutory limits?			
Risk Management Arrangements	Does a scan of the minutes identify any unusual activity?			

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Risk Management Arrangements (contd)	Do the minutes record the Council carrying out an annual risk assessment?			
	Is insurance cover appropriate and adequate?			
	Are internal financial controls documented and regularly reviewed?			
Budgetary Controls	Has the Council prepared an annual budget in support of its precept?			
	Is actual expenditure against the budget regularly reported to Council?			
	Are there any significant unexplained variances from budget?			
Income Controls	Is income properly recorded and promptly banked?			
	Does the precept recorded in the cashbook agree to the District Council's notification?			
	Are security controls over cash adequate and effective?			
Petty Cash Procedures	Is all petty cash spent recorded and supported by VAT invoices/receipts?			
	Is petty cash expenditure reported to Council?			
	Is petty cash reimbursement carried out regularly?			
Payroll Controls	Do salaries paid agree with those approved by Council?			
	Are other payments to the Clerk reasonable and approved by Council?			

1 Internal Control	2 Tests	3 Initial if Yes	4 W/P Reference	5 Comments
Payroll Controls (contd)	Has PAYE/NIC been properly operated by the Council as an employer?			
Assets Controls	Does the Council keep an Assets Register of all material assets owned?			
	Is the Register up to date?			
	Do asset insurance valuations agree with those in the Register?			
Bank Reconciliation	Is there a bank reconciliation for each bank account?			
	Is the bank reconciliation carried out regularly on the receipt of statements?			
	Are there any unexplained balancing entries in any reconciliation?			
Year-End Procedures	Are year-end accounts prepared on the correct accounting basis?			
	Do accounts agree with the cashbook?			
	Is there an audit trail from underlying financial records to the accounts?			
	Where appropriate, have debtors and creditors been properly recorded?			