

Introduction

Internal auditing is an independent, objective assurance designed to improve an organisation's operations by reviewing and reporting to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review. The person or persons carrying out internal audit must be conversant with Parish Council constraints.

Internal audit is an on-going function to test the continuing existence and adequacy of the authority's internal controls. Managing the authority's internal controls is a day-to-day function of the authority's staff and Councillors and not the responsibility of internal audit.

Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud. (based on Governance and Accountability guidance)

Explanations

Internal audits should be undertaken at least once a year or with greater frequency if required by the Council or as determined by:

Corrective actions from previous internal audits

Statutory/legal requirements

Audit Commission guidance

Council decisions

Council objectives and policy

Council internal reviews

Concerns raised by external auditors

Parishioner complaints

Employee concerns

The internal auditor should:
<i>Understand basic accounting processes</i>
<i>Understand the role of internal audit in reviewing systems.</i>
<i>Understand risk management issues</i>
<i>Understand accounting requirements in terms of the statutory framework</i>
<i>Understand the operation of a parish council</i>
<i>Be impartial and objective</i>
<i>Review and prepare the internal audit checklist for the Clerk and/or the RFO</i>
<i>Review the previous internal audit report and actions implemented</i>
<i>Identify any necessary changes to internal controls</i>
<i>Ensure documentation listed on the audit checklist is available for review</i>
<i>Sample and observe process inputs/outputs e.g. review invoices, expenditure reports etc.</i>
<i>Record objective evidence to verify process compliance or non-compliance</i>
<i>Suggest corrective actions for other areas of non-compliance and/or recommendations for improvement.</i>
<i>Prepare and sign off an internal audit report and forward to the Clerk and/or the RFO(copy to Chairman)</i>

Audit Opinion	Explanation
Good	There is a sound system of internal control
Adequate	There are identified weaknesses
Limited	Weaknesses are such that they constitute a risk.
Unsatisfactory	Control processes are open to significant error and non-compliance

Overall Internal Audit Assurance Rating:

Good

Criteria

	Compliant		Comments
	Yes	No	
Proper Book Keeping	✓		
Cashbook maintained/up to date	✓		
Cashbook arithmetic correct	✓		
Cashbook regularly balanced	✓		
Standing orders and financial regs reviewed and controls over money are embedded in Standing Orders and Financial Statements	✓		
Purchases above a de-minimis amount have been competitively purchased	✓		
Cashbook payments are supported by invoices, authorised, and minuted	✓		
VAT has been administered correctly	✓		
S137 expenditure separately recorded and within statutory limits	N/A		
Minutes identify any unusual financial activity	✓		
Annual risk assessment minuted	✓		
Internal financial controls documented and regularly reviewed	✓		
Precept supported by budget figures which agree with notification to DC	✓		
Expenditure against budget regularly reported to the Council	✓		
Significant variances from budget explained	✓		
Income properly recorded and promptly banked	✓		
All petty cash spent is recorded and supported by invoices/receipts	✓		
All employees have contracts of employment, with clear terms and conditions	✓		
Salaries paid agree with those approved by Council	✓		
Other payments to employees legitimate and approved by the Council	✓		

PAYE/NIC been properly administered	✓		
The Council maintains a register of all material assets which is up to date	✓		
Insurance cover appropriate and adequate	✓		
Is regular bank reconciliation carried out for each account?	✓		
Year-end accounts prepared on the correct accounting basis and balance sheet completed	✓		
An audit trail exists	✓		
Where appropriate, debtors and creditors have been properly recorded	✓		
Is the Council a trustee, or involved in the administration of any charity.	✓		
Two Council member signatures required for cheques or other orders for payment	✓		
Any corporate credit cards are held within defined limits and cleared monthly by direct debit	N/A		
A website is up to date and accurate	✓		Website much improved. Have been advised by the Clerk that it will be updated shortly
Meetings are open to the public and press	✓		
Planning	✓		
Land Holdings	✓		
Appropriate measures have been implemented for GDPR	✓		

Notes

I would re-iterate my advice to publish policies on the website but definitely post the Council's document publishing scheme. ICO have a model document which can be used.

Please either do not minute confidential items or publish them as soon as possible. There is no mechanism at Parish level for them to remain confidential. Anonymise contracts eg Tender A, B etc if commercial confidentiality is the issue.

VA Evans (Mrs) Cert HE Community and Governance