
[REDACTED]

[REDACTED]

[REDACTED]

Internal Audit Services at [REDACTED]

Thank you for considering using [REDACTED] to provide your council with an internal audit. The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control.

The interim audit(s) will generally focus on the governance and accountability functions of the council rather than the financial elements. The conclusion of this review is a report providing the council with recommendations where applicable for the improvement of internal processes and assurance that the councils systems are fit for purpose and the possibility of the systems being prone to error or misstatement are low.

We are aware that not all councils elect to have an interim audit preferring to have just one audit conducted after the year end; however, this increases the risk that errors in the processes are not able to be rectified to show that for the year under review the council was compliant with regulations, leading to possible qualifications.

At [REDACTED] we recommend that councils have at least two internal audits per annum with one in the autumn and one after the council year end. In some cases, your council may well have additional interim audits where there are significant areas to focus upon.

Our service **begins with the engagement process**, with the "Start of Process Letter" where we will issue you with key information such as but not limited to:

- ✓ Location of audit
- ✓ Who will carry out the work,
- ✓ How long it will take
- ✓ Fees
- ✓ Next steps

In addition to this, we will at the same time provide the council with a checklist of items that would be covered at the audit(s) so they can be prepared ready for the audit.

The office will during the year **book the audit date(s) with the council and confirm in writing**, again issuing a checklist of items that the council should prepare in advance.

Once a date has been booked a **formal audit plan will be issued** to the council detailing the tests that will be carried out. This document is written such that it can be taken to council as part of the “review of the effectiveness of internal audit” function on the annual governance statement. A sample of the plan is shown below.

Audit Area	Tests
Appropriate books of account have been kept properly throughout the year.	Review transactions in cashbook make verbal enquiries. Test arithmetic.
The council’s financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Have FR & Standing orders been reviewed and noted in minutes in last 12 months Select items from FR to test to physical documentation Review invoices and reconcile to cash book in detail Review selection of VAT entries Review minutes and payment list for authorisations Agendas and minutes properly prepared and published Council has acceptance of office and declarations of interest in place and signed Review council is following transparency regulations
The council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Review and comment on risk assessments in place – ensure financial risk assessment considered Review of effectiveness of audit carried out Review and comment on council disaster recovery plans Review and comment on council’s insurance

At the audit, we will start with a general conversation about how the year has gone and any issues you may have or need to bring to our attention. As part of this introductory phase we will carry out “**Walk through testing**” designed to give us an insight as to how the councils financial systems and process operate and test any weaknesses. Based on these results we will decide if further “**Substantive Testing**” is required or whether we can rely on the internal controls already evidenced.

At the interim visit we review and perform tests on the following areas:

- Review of the Financial Regulations & Standing Orders
- Review of the Risk Assessments
- Review of the Budgeting Process
- Proper Bookkeeping – review of the use of the accounts package.
- Review of salaries
- Review of fixed asset register

At the final visit we review and perform tests on the following areas:

- Review of annual accounts & AGAR
- Review of bank reconciliation
- Review of income
- Review of salaries
- Review of information for external auditor

We will then prepare an audit report which will summarise our findings in each of the areas we have to sign off on the AGAR as internal auditor. We will as part of this report produce a table of recommendations for council and provide an opinion of the internal processes and procedures of the council. A Sample is shown below

A. BOOKS OF ACCOUNT (INTERIM AUDIT)

The Council continues to use RBS as a day to day accounting package, this is a tried and tested industry specific package and I make no recommendation to change. The system is used daily to report on and record the financial transactions of that of the Council. There are three users with their own individual logons. The administration officer (finance) is responsible

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)

Interim Audit

Check the publication & minuting of the prior year audited AGAR and notice of conclusion of audit.

External auditors report was not qualified in 2017/18. This was reported to council in November 2018. Evidence was also noted in the minutes of the internal auditor's report being reviewed and accepted. The notice of conclusion of audit and audited AGAR have been posted to the council website.

Confirm by sample testing that councillors sign statutory office forms

I confirmed by sample testing that Councillors sign "Acceptance of Office" forms and register of members interests, in line with regulations. **The councillors will need to sign acceptance to receive information by electronic means.** I have provided some sample wording below for council consideration.

"As per Schedule 12 of the Local Government Act 1972, I consent to the receipt of all council meeting papers by electronic methods. I understand I may withdraw this consent at any time."

All our reports are delivered via a secure on-line portal called "Iris Openspace" that only the clerk/rfo has password access to. These reports will be in PDF format but can be printed or emailed as desired.