

REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

Item 9

APPENDIX A - Meeting the Standards

Expected Standard	Evidence of Achievement	Response
1. Scope of internal audit	Internal Audit Tests (Auditor provided with a pro-forma to complete called 'Internal Audit Plan')	Yes
2. Independence	<ul style="list-style-type: none"> - Internal Auditor has direct access to those charged with governance. - Reports are made in own name to management/Council via a report. - Auditor does not have any other role within the council. 	Yes
		Yes
		Yes
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	Yes
4. Relationships	<ul style="list-style-type: none"> - RFO is 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. - The responsibilities of Council Members are understood; training of members is carried out as necessary. 	Yes
		Yes
		Yes
5. Audit Planning and reporting	<ul style="list-style-type: none"> - The Internal Audit Plan properly takes account of corporate risk. - The plan has been approved by the Council. - Internal Auditor has reported in accordance with the plan. 	Yes
		Yes
		Yes

APPENDIX B - Characteristics of Effectiveness

Characteristics of 'effectiveness'	Evidence of Achievement	Response
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	Yes
Understanding the Council's needs and objectives	The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	Yes
Be seen as a catalyst for change	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.	Yes
Add value and assist the Council to achieve its objectives	Demonstrated through positive Council response to recommendations and follow up action where called for.	Yes
Be forward looking	Changes on national agenda are considered when the Internal Audit guidance is reviewed. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	Yes
Be challenging	Internal audit focuses on risks and encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment.	Yes
Ensure the right resources are available	<ul style="list-style-type: none"> - 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. 	Yes
		Yes

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AUDIT PLAN INTERNAL AUDITOR

Internal Control	Suggested test	Response
Proper bookkeeping	<ul style="list-style-type: none"> - Is the cashbook maintained and up to date? - Is the cashbook arithmetic correct? - Is the cashbook regularly balance? 	
a) Standing Orders and Financial Regulations b) Payment controls	<ul style="list-style-type: none"> - Has the Council formally adopted standing orders and financial regulations? - Has a Responsible Financial Officer been appointed with specified duties? - Have items or services above a de minimis amount been competitively purchased? - Are payments in the cashbook supported by invoices, authorised and minuted? - Has VAT on payments been identified, recorded and reclaimed? - Is s137 expenditure separately recorded and within statutory limits? 	
Risk management arrangements	<ul style="list-style-type: none"> - Does a scan of minutes identify any unusual financial activity? - 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	<ul style="list-style-type: none"> - Has the Council prepared an annual budget in support of its precept? - Is actual expenditure against the budget regularly reported to the Council? - Are there any significant unexplained variances from budget? 	
Income controls	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Is all petty cash spent recorded and supported by VAT invoices/receipts? - Is petty cash expenditure reported to each Council meeting? - Is petty cash reimbursement carried out regularly? 	N/A
Payroll controls	<ul style="list-style-type: none"> - Do salaries paid agree with those approved by the Council? - Are other payments to the Clerk reasonable and approved by the Council? - Has PAYE/NIC been properly operated by the Council as an employer? 	
Asset controls	<ul style="list-style-type: none"> - Does the Council keep an asset register of all material assets owned? - Are the Asset/Investments registers up to date? - Do asset insurance valuations agree with those in the asset register? 	
Project Management Practices	<ul style="list-style-type: none"> - Review projects against Project Management Plans 	
Bank reconciliation	<ul style="list-style-type: none"> - Is there bank reconciliation for each amount? - Is bank reconciliation carried out regularly on the receipt of statements? - Are there any unexplained balancing entries in any reconciliation? 	
Year end procedures	<ul style="list-style-type: none"> - Are year-end accounts prepared on the correct accounting basis (R&P)? - Do accounts agree with the cash book? - Is there any audit trail from underlying financial records to the accounts? 	

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