

PART C

1. Review of Effectiveness of the Internal Audit – Overview

2. Internal Audit Review

‘REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT’ Overview

Regulation 6 of the Accounts and Audit Regulations 2003 as amended Imposes a duty on local councils to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.”

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a council’s activities and operating procedures are effective.

Local councils are required, at least once a year, to conduct, in accordance with proper practices, a review of the effectiveness of internal audit. The council is required to sign the annual governance statement (on the annual return submitted to the external auditor) to evidence that this review has been undertaken.

Review of effectiveness of internal audit

John Turner has acted as the Llanbadoc Community Council internal auditor for 2019/2020. He is prepared to continue to act as the Council's internal auditor for 2020/21.

For internal audit to be considered effective, the following criteria must be satisfied:

- that the internal auditor is independent of the other financial controls and procedures of the council which are subject of review;
- that they are competent to carry out the role in a way that will meet the business needs of the council;
- that any internal audit report is considered in full by a meeting of the community council; and
- that appropriate action is taken on any recommendations contained in the internal audit report.
- The council must also satisfy itself that the quality of delivery of the internal audit service provides reliable assurance about the council's internal controls and its management of risk.

Independence

JOHN TURNER has no involvement in the Council's financial controls, procedures or decision making. He is not related to, nor associated with, any member of the Council or the Clerk. The internal auditor has direct access to the Council should he think this necessary.

Competence

JOHN TURNER is unqualified and operates as an individual. He has extensive experience of carrying out audit work for community councils and other voluntary organisations. He was previously a Community Council clerk and RFO for many years and has built up knowledge of local council finance over the years.

There is no evidence/reason to believe that the internal audit will not be carried out competently, ethically and with integrity and objectivity.

Frequency of Internal Audit

An internal audit, undertaken once a year.

Scope of Work

The scope of the internal audit work carried out by Mr TURNER. follows the suggested approach to internal audit provided by Appendix 9 of the "Governance and Accountability for Local Councils – a Practitioner's Guide 2016."



Audit Report

Mr TURNER will prepare a report in his own name and addressed to the council following his completion of the internal audit. It will be presented in full to the Council at the next meeting after it has been issued. Any actions to be taken on the recommendations made will be minuted.

Recommendation

That Llanbadoc Community Council considers for itself whether the system of internal audit is sufficiently effective, using this report as prepared by the Clerk/RFO as a starting point for those considerations.

Prepared by: OLIVIA BEAUMONT

Date: 4th March 2020

1. Review of Effectiveness of Llanbadoc Community Council Internal Audit

Reviewed and adopted on: 4th March 2020

Characteristics of 'effectiveness'	Evidence of Achievement	Areas for development/compliance
1. Scope of internal audit	<p>Terms of Reference Issued</p> <p>Terms of Reference approved</p> <p>Scope of audit work takes into account risk management processes and wider internal control</p> <p>Risk Assessment defines audit responsibilities in relation to fraud</p>	<p>6th March 2019</p> <p>8th March 2020</p> <p>Terms confirmed in Letter of Engagement dated 6th March 2019.</p>
2. Independence	Internal Auditor has direct access to all records. Reports are made in own name to management. Auditor does not have any other role within the Council	Confirmed
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	Compliant
4. Relationships	Responsible Officer consulted on the internal audit and on the scope of each audit. (Evidence is on audit files). 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.	Compliant
5 Audit Planning and reporting	The Audit takes account of corporate risk. The details of the internal audit will be approved by the council as report received. Internal Audit has reported in accordance with the objectives and responsibilities of the Council	Compliant
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the Councils needs	Monthly compilation of documents takes place by the Clerk
Understanding the whole organisation its needs and objectives	The annual audit demonstrates how audit work will provide assurance in relation to the Councils responsibilities	Compliant
Be seen as a catalyst for change	Supportive role of audit for developments such as risk management and ethics.	Nothing reported
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	No actions reported
Be forward looking	When identifying risks and in formulating the annual audit, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services and risk management	None reported
Be challenging	Internal audit focuses on risks and encourages the council 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.	None reported
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.	Confirmed all resources were available



Note: Review of effectiveness of internal audit must be reviewed and adopted by council annually during the financial year and before 31 March