

IN-HOUSE AUDITING PROCESS

Governance requires that the council takes care to ensure that its internal auditing processes oversee the checking of all routines of the council with regard to its accounts. To this end the council appoints an Internal Auditor and Internal Controller. Guidance will be followed from the most recently published Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide.

Internal Auditor

At the May Annual Council meeting an Internal Auditor is appointed to audit the financial mechanisms of the council for the current year. Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The council is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective. 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.

Internal Controller

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.

The purpose of the annual governance statement is for an authority to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.

Smaller authorities prepare their annual governance statement by completing Section 1 of the annual return. This is in the form of a number of statements, known as assertions, to which the authority needs to answer 'Yes' or 'No'. The authority needs to have appropriate evidence to support a 'Yes' answer to an assertion, for example a reference in a set of formal minutes.

If an authority is not able to respond 'Yes' to any assertion, it needs to provide an explanation to the external auditor on a separate sheet describing how the authority will address the weaknesses identified.

At the May Annual Council meeting an Internal Controller is appointed to test the accounting processes for the current year. The Responsible Financial Officer will ensure that the Internal

Controller understands what is required and shows him/her where and how to access all the accounts information.

The Internal Controller will be responsible for the following:

- To regularly, preferably monthly, attend the office to examine the accounts.
- The Responsible Financial Officer will respond to queries promptly or within seven days.
- To undertake the list of tasks as agreed by Council as often and as fully as time allows. This list will be reviewed annually.
- To ensure that the full list has been completed over the year.
- To produce a report to inform Councillors before signing the Annual Accounts

The items to be assessed by the Internal Controller are as follows:

Internal Controller Check List – to be reviewed by Council 8 October 2019

- All payments are authorised by two Members
- Cheque signatories have had the opportunity to spot check the invoice as evidence
- The cheque counterfoil or approved payment sheet has been initialled by the authorising Members
- Bank accounts reconciled monthly
- Original bank statement cross referenced to minimum 6 entries in council documents
- Direct debit and standing order payments agreed to authorised list
- Payroll actioned accurately monthly
- PAYE & NI paid on time
- PAYE & NI agreed to payroll and bank statement
- All payments entered into accounting system/spreadsheet/cashbook accurately
- Payment schedule presented to full council monthly
- Check that there are separate s137 and VAT columns on the accounting spreadsheet/system
- The petty cash is accounted for correctly
- Receipts are correctly recorded on accounts system/spreadsheet
- All payments are within agreed budget and any variances are correctly recorded in the Minutes
- Receipts are reconciled against original bank statements
- Funds being transferred between accounts has been done correctly
- A reconciliation of accounts is presented to Council quarterly
- The internal checks occur monthly
- VAT is being correctly accounted for and returns are submitted in a timely fashion
- VAT payments and refunds are correctly paid and received
- An annual report is submitted by the Internal Controller to Council to inform their consideration of the Annual Return and Governance assertions