

Review of effectiveness of internal audit

Meeting the standards Expected Standard	Evidence of Achievement	Areas for development
1. Scope of internal audit	Terms of reference and quote accepted by KPC meeting 27 February 2019. Scope of audit work takes into account risk management processes and wider internal control. Terms of reference define audit responsibilities in relation to fraud.	
2. Independence	Internal Auditor has direct access to RFO. Reports are made in own name to management. Auditor does not have any other role within the council.	
3. Competence	No evidence that internal work has not been carried out ethically, with integrity and objectivity. Internal auditor familiar with governance processes and accounting regulations for parish councils Qualification: ACMA	
4. Relationships	Clerk/RFO and councillors are 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 and fraud and corruption matters. The responsibilities of council members are understood and training carried out as necessary.	
5. Audit Planning and reporting	The Audit Plan properly takes account of corporate risk. The plan has been approved by the council. Internal Audit has reported in accordance with the plan.	
Characteristics of Effectiveness		
Internal audit work is planned	Planned internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	
Understanding the whole organisation its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	

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Be seen as a catalyst for change	Supportive role of audit for corporate developments such as corporate governance review, risk management and ethics.	
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	
Be forward looking	When identifying risks and in formulating the annual audit plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	
Be challenging	Internal audit focuses on risks and encourages 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 control environment.	
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.	

Internal Financial Controls

1. Payments made by on-line bank transfers to regular and general suppliers, contractors, HMRC, reimbursements to staff and councillors.
2. Staff salaries and pension payments to be made by Standing Order.
3. Utility payments and payments to NHDC to be made by Direct Debit.
4. Following the setup of a new payee, prior to making any payments, a one-off test payment of £1 will be sent to the payee. No internet banking payment will be made until we have confirmation that it has been received. The same test payment would be made if a supplier advised that their bank account details had been changed.
5. The Parish Clerk/RFOⁱ has on-line banking authority to view and submit payments to Unity Bank.
6. Authorised account signatories are Cllrs Burns, Firth and Reavell.
7. For business continuity considerations the following Councillor is able to submit payments: Cllr Marsh.
8. Any signatory given on-line authority agrees not to share password information.
9. On-line payments will be dated a minimum of 1 week in advance of actual payment to allow time for the bank signatories to validate the debit of the bank account on-line unless otherwise agreed.
10. All purchases to be recorded in the purchase order register.
11. Clerk to record invoices into the purchase order register upon receipt and verified for accuracy against the purchase order.
12. Clerk to circulate the purchase order register to account signatories when authorisations are requested.
13. Clerk to send a remittance advice to the supplier.
14. Clerk and authorised signatories to monitor bank activity for reasonableness/ irregularities.
15. Clerk to provide monthly payment reports and budget reports to Councillors.
16. Finance Working Party to review procedures annually /as recommended by the Clerk.

ⁱ Kimpton Parish Clerk is also the Responsible Financial Officer

Item	Date
Council to appoint Internal Auditor	February
Council to complete Annual Return	April
Internal auditor to receive accounts for the year end and complete annual return	April
Council to review any issues raised by internal auditor	May
Council to review that internal audit has been carried out ethically and with integrity and objectivity	May
Council to send Annual Return to external auditors	May
Electors able to exercise their rights	June/July
Council to receive report from External Auditors	September
Council to review effectiveness of internal audit	July
Finance working party to review council financial systems and control	October
Council to review internet controls	October
Council to review this Audit Plan	October
Council to approve terms of reference for internal auditor	October
Council to review financial and management risk assessment	October

Terms of Reference for Internal Auditor

The purpose of internal audit is to review and report to Kimpton Parish Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective. Internal audit is an independent, objective assurance activity designed to improve the council's operations.

Kimpton Parish Council engages with IAC Limited for the purposes of an internal audit service on an annual basis.

Roles and responsibilities

IAC Limited will conduct the internal audit work for your Council in relation to the 2020 Annual Return and such subsequent Annual Returns as required by the Council.

The work undertaken will specifically relate to the Annual Internal Audit Report, and aiding the Council to fulfil its obligations under Section 1 of the Annual Return. In conducting this work we will comply with the requirements of

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)'
- The Accounts and Audit (England) Regulations 2015 (as amended)
- Such other guidance and best practice that may be prevailing from time to time.

Additional internal audit work in relation to the Council's obligations under the regulations may also be undertaken by separate agreement.

Audit planning

IAC Limited will plan our audit with due care to ensure that the appropriate level of resources is made available to conduct our work, and that the council can meet its statutory reporting obligations.

Reporting

IAC Limited will prepare a summary report on areas of non-compliance where such non-compliances are limited in nature and result in an unqualified internal audit report.

Where it may be necessary to qualify an internal audit report we shall prepare a detailed report on those areas of non-compliance which have led to a qualification.

Where necessary IAC Limited will attend council meetings, or other meeting with officers or councillors to discuss the audit report and findings. IAC Limited reserve the right to raise an additional fee in relation to attendance at such meetings, but will agree this fee, if any, in advance of such a meeting.

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Independence and competence

IAC Limited will ensure that staff conducting, and supervising audits are appropriately trained and

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qualified for the level of work undertaken.

IAC Limited will ensure that we maintain independence from the day to day activities of the council. IAC Limited will not provide additional consultancy or advisory services to the council which may compromise their audit independence.

Access to information, members and officers

In undertaking the audit work, IAC Limited will be provided such information as may be reasonably required to complete the audit, subject to reasonable notice. Where IAC Limited have requested, but the council has been unable to provide, such information as they require IAC Limited will notify the council in writing of the information that was not received.

The records made available to IAC Limited by the council will be sufficiently well ordered and maintained as to permit a timely and effective audit.

In order to complete the audit work IAC Limited will be provided with access to such records, officers or members as may be appropriate and necessary.

Remuneration

The fee for the audit work will be in accordance with the prior agreed fee. The fee includes all travel and out of pocket expenses. If additional audit time is required, then this would be discussed and invoiced.

Kimpton Parish Council

Financial and Management Risk Assessment for the period 1st April 2019 to 31st March 2020

Income Topic	Risk Identified	Likelihood	Impact	Management of Risk	Staff Action	Int. Audit
Precept	Not submitted	L	H	Full PC Minute - RFO to follow up	Diary	12
	Not paid by NHDC	L	H	Check and report to Full Council	Diary	12
Sports Rental	Adequacy of precept	M	M	Quarterly review of budget to actual	RFO to monitor and report	12
	Fees not set at adequate levels	M	M	Full council to review rentals on annual basis	January council meeting	12
	Clubs not paying	M	M	Issue of invoices on annual basis	RFO to monitor and reconcile	6
Allotment Fees	Fees not set at adequate levels	M	M	Full council to review rentals on annual basis	RFO to monitor and reconcile	12
	Allotment holders not paying	M	M	Issue of invoices on annual basis	RFO to monitor and reconcile	6
Grants from external	Claims procedure	M	L	Clerk to be aware of funding opportunities	RFO to monitor and reconcile	24
	Receipt when due	L	L	Monthly CCLA	RFO to bank reconcile	6
Expenditure						
Power to spend	General Power of Competence	L	M	Clerk trained and members elected	Council verify after election	May-22
Salaries	Wrong salary paid	M	M	Check to minute	Member verify	6
	Wrong hours paid	M	M	Check to minute/contract	Member verify	6
	Wrong rate pay	M	M	Check to minute/contract	Member verify	6
	Wrong deductions - NI	M	M	Check PAYE records and lists	Member verify	6
	Wrong deductions - Tax	M	M	Check to PAYE calculations	Member verify	6
Pension Provision	Legal duties as employer	M	M	Council is an admitted body LGPS	Full Council to consider at recruitment	12
Direct Costs and Overhead expenses	Goods not supplied to PC	M	M	Purchase order monitoring	RFO to monitor	6
	Invoice incorrect	M	M	Check order value against invoice	RFO to monitor	6
Grants and support	Agreement of Council to pay	L	L	Grant application received, Council Minute	Member verify	12
	Conditions agreed	L	L	Use reasonable condition	RFO to check	12
Election costs	Invoice at agreed rate	L	M	RFO check and consider budget	NHDC to advise	2022
	VAT analysis	L	M	All items recorded in cash book	RFO verify	6
VAT irrecoverable	Charged on purchases	L	M	All items recorded in cash book	RFO verify	6
	Claimed within time limits	M	M	Annual reclaim in April for previous year	Diary	12
Management Risks						
Reserves	Adequacy	M	M	Consider at budget setting	RFO opinion, member verify	12
	Building up reserves	M	M	Annual review at final accounts	Member verify	12
Reserves - ear marked Assets	Adequacy	L	M	Consider at budget and final accounts	RFO advice and member verify	12
	Loss damage etc	M	M	Annual inspection, update insurance & register	RFO verify	12
Staff	Risk or damage to third parties	M	M	Annual review Public Liability Insurance cover	Diary	12
	Loss of Clerk/RFO	M	H	Hours, pay, training, stress	Staffing Committee	12
	Fraud by staff	L	M	Fidelity Guarantee value - annual check	Full Council	12
		L	M	Bank statements to be reconciled	Full Council	6

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