

Magor with Undy Town Council

Review of Effectiveness of Internal Audit

SUBJECT:	Internal Audit – Review of Effectiveness
OBJECTIVE:	Completion of the Internal Audit Review Checklist at Appendix A
STATUTE:	Accounts and Audit (Wales) Regulations 2014 (as amended)

INTRODUCTION:

Regulation 7 of the Accounts and Audit (Wales) Regulations 2014 (as amended) require councils to carry out an annual review of the effectiveness of their system of internal control. Internal audit is part of the system of internal control.

Governance and accountability for Local Council's in Wales – A Practitioners Guide 2019 a recognised source of guidance, recommends that as best practice and as part of the review of internal control, local councils should at least once a year carry out a review of internal audit. The results should be included in the annual governance statement.

SCOPE OF REVIEW:

The review must reflect the Council's internal audit needs and usage. It should provide sufficient assurance for the Council that internal audit's work meets required standards and is effective. Councils must judge the extent and scope of the review by reference to their own individual circumstances.

The starting point for the review should be an assessment against the internal audit standards below:

- (a) The scope of the internal audit – *terms of reference and the extent of the work undertaken by internal audit*
- (b) Independence – *the extent to which the internal auditor is able to carry out the audit without undue influence or conflict of interest*
- (c) Competence - *the ability and experience of the internal auditor to undertake the work*
- (d) Relationships – *the clarity of relations between the Council, the Clerk and the internal Auditor*
- (e) Audit planning and reporting – *the effectiveness of the audit plan and reporting procedures.*

The review should focus on the internal audit standards identified above. These will include principally a consideration of the extent to which internal audit adds value and how well it is helping the delivery of the Council's objectives.

The review is about how effective internal audit is, not the process it followed. In essence, the review should focus on the quality of delivery of the internal audit service i.e. reliable assurance about the Council's internal controls and its management of risk.

IAC Audit and Consultancy Ltd (<https://www.audit-iac.com>) was approved by Full Council on 27th May 2022 to undertake the Councils Internal Audit for 2021/2022 and 2022/23. Full Council further resolved on 19th January 2023 to re-appoint IAC Audit and Consultancy Ltd to undertake the Councils Internal Audit 2023/2024.

The Internal Audit Review Checklist **Appendix A** covers two principal aspects of the review i.e. compliance with standards and overall effectiveness and should be completed with regard given to the above.

Annual internal audit report to:

APPENDIX A

Name of body:

The Council/Board/Committee’s internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected

each financial year ending 31 March

The internal audit has been carried out in accordance with the Council/Board/Committee’s needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised

in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether,

in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council/Board/Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
8. Asset and investment registers were complete, accurate, and properly maintained.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:					
	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
14. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

[My detailed findings and recommendations which I draw to the attention of the Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated _____.] * Delete if no report prepared.

Internal audit confirmation

I/we confirm that as the Council's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2019-20 and 2020-21. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit:

Signature of person who carried out the internal audit:

Date: