

Warwickshire and West Midlands Association of Local Councils

(Affiliated to the National Association of Local Councils)

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Review of the Effectiveness of System of Internal Audit

Reason for Introduction

Councils should have been from time to time considering the effectiveness of their internal audit and formally minuted it. This should have formed part of the financial risk management.

Including it in the Annual Return form boxes 5 and 6 on section 2 now called "Annual Governance Statement" is showing the external auditor that this has been carried out. Audit Commission felt it necessary to ensure that councils were carrying out these checks as frauds are still arising mainly through the lack of attention to detail from members, and a common view - "we trust the Clerk / RFO".

Members should remember they owe a duty to the public who have provided the cash through compulsory taxation enforceable by imprisonment

The check list supplied suffers from one size fits all, ie it is used for a number of other bodies as well. I hope the following may assist

Tips on Operation

Councillors need to go through the checklist proportionately to their assessed risks ie the volume of their activity. WALC can provide guidance on how to carry out a financial risk assessment, if your Council has not done this already. There is guidance on Risk Management in the white folder the Practitioner's Guide (pg 27 in my version)

Councils should go behind the checklist and see that Council thinks about the effectiveness of Internal Audit - Is the annual return form only sufficient or should you expect a letter summarising the tests carried out by the Internal Auditor and the results obtained? Does Internal Audit look at areas of risk - cheque signing, powers, cash handling, adequacy of invoices for supplies made, approval of invoices for payments, VAT, PAYE compliance ?

Is there evidence of IA work undertaken? ie does the Council receive a report from the Internal Auditor during the year and it is properly minuted?

Is there evidence in the minutes that the Council has acted on the recommendations of the Internal Auditor?

Keep it simple

April 2011

EXTRACT FROM GOVERNANCE AND ACCOUNTABILITY FOR LOCAL COUNCILS

Table 3 Areas where there may be a need to self-manage risk
Internal controls

A council's internal controls may include the following.

- ✓ Regular scrutiny of financial records and proper arrangements for the approval of expenditure.
- ✓ Recording in the minutes the precise powers under which expenditure is being approved.
- ✓ Regular returns to HM Revenue and Customs; contracts of employment for annually reviewed by the Council, systems of updating records for any changes in all staff, relevant legislation.
- ✓ Regular returns of VAT; training the responsible officer in matters of VAT and other taxation issues as necessary.
- ✓ Regular budget monitoring statements.
- ✓ Developing systems of performance measurement.
- ✓ Procedures for dealing with and monitoring grants or loans made or received.
- ✓ Minutes properly numbered and paginated with a master copy kept in safekeeping.
- ✓ Documented procedures to deal with enquiries from the public.
- ✓ Documented procedures to deal with responses to consultation requests.
- ✓ Monitoring arrangements by the council regarding Quality Council status.
- ✓ Documented procedures for document receipt, circulation, response, handling and filing.
- ✓ Procedures in place for recording and monitoring Members' interests and Gifts and Hospitality received.