

Appendix to minutes of meeting of 7th March 2011

Note of consideration by Aynho Parish Council of the elements of internal audit during financial year 2010-2011.

The RFO reported to the meeting on 7th March 2011 that the external audit briefing as well as an email from the NCALC Internal Auditor just received reminded the PC of specific requirements for reviewing the effectiveness of the internal audit process and advised of new requirements for the recording of this review. The following extract from the External Audit briefing was read to the meeting:

Extract begins

What does constitute an adequate review of the effectiveness of the internal audit process?

The review must cover the following five areas:

- **Scope of internal audit** – Has the scope of the internal audit been discussed with the internal auditor to ensure that the audit covers all of the relevant risk areas?
- **Independence** – is the internal auditor sufficiently independent, unbiased and objective?
- **Competence** - does the internal auditor have sufficient knowledge to be able to carry out the audit?
- **Relationships** – are the relevant responsibilities of members, clerk/RFO and internal auditor defined?
- **Planning and Reporting** – is the body aware of a timetable of when the internal audit or audits will take place and when a report, if any, will be reported.

Extract ends

The PC requested the RFO to prepare an appendix to be joined to the minutes, detailing the existing consideration of the review requirements during the financial year, pending further clarification by the NCALC Internal Auditor of the final interpretation of the new reporting requirements. Given the lack of complete clarity about the scope of the new requirements, this note covers consideration in relation to the PC's own internal systems audit process and to the NCALC Internal Audit.

- **Scope of internal audit**
PC internal processes

The PC had detailed two Councillors to act as internal reviewers, to ensure that financial systems and procedures were being followed. The scope of this was agreed in the 2009 financial year (checklists, April 2009; instigation of review visit, May 2009) and would continue unless amended.

Following receipt of the 2009-2010 external audit report, the PC discussed on 1st November 2010 some of the requirements in this light for internal reviews. Specific items from the external report discussed were as follow:

1) *One of the internal audit checks had not been carried out.* The RFO reported that these in fact had been carried out but the NCALC internal auditor had not ticked the box. She apologized that this should have been spotted before submission.

2) *A minute reference was incorrect.* The minute reference in question was there but the auditors now want it detailed differently. The RFO commented that this relates to interpretation of requirements by individual auditors.

3) *The whole of the page 2 agreement on the annual return approval should be minuted.*

The PC discussed that its internal reviewers would more closely review a copy of the final annual report before submission, to ensure both that its own financial risk-management processes had been followed and that the NCALC Internal Audit process had been completed. The Clerk was requested to ensure that the specific minuting requirements are introduced.

➤ **Independence**

PC internal processes

- On 7th March 2011 it was confirmed that the two appointed councillors continued to serve as internal reviewers and had no vested interest in the accounts or internal audit process.

NCALC Internal auditor

- on 7th March 2011 it was confirmed that the re-appointed auditor had no personal links with the PC and that there was no reason to believe his independence would be compromised.

➤ **Competence**

PC internal process

- On 7th March 2011 it was confirmed that the two Councillors appointed as internal reviewers continued to possess the competence, as business managers, to carry out their internal audit duties for the PC.

NCALC Internal auditor

- on 7th March 2011 it was confirmed that there was no reason to believe that the assigned internal auditor would not have the competence to carry out the internal audit.

➤ **Relationships**

PC internal process

- On 7th March 2011 the RFO verbally confirmed with the PC members that the roles were clear, as the Clerk and RFO both had detailed job descriptions and that internal audit responsibilities within the PC had been clearly assigned to two Councillors, who were clear on their remit.

NCALC Internal audit

- On 7th March 2011 the RFO advised the PC that the NCALC Internal auditor's role was clear as terms of reference existed for this role and were managed by NCALC.

➤ **Planning and Reporting**

PC internal process

- On May 10th 2010 the PC determined that the internal review team would examine the draft annual report and raise the item for adoption at the June meeting.
- On 7th June 2010 the annual report was adopted

NCALC Internal audit

- The PC was informed on 7th June 2010 that the internal audit would take place on 22nd June.
- On 5th July 2010 the PC discussed the Internal Auditor's report and implementation of the recommendations made in that.