

THE BOURTONS PARISH COUNCIL

Great & Little Bourton, Banbury, Oxfordshire

Audit Management & Control Policy

Objective

The primary objective of this Policy is to define the auditing processes this Council follows and to specify the related internal controls and oversight.

General principles

Audit has two separate and distinct parts : Internal and External audits. These together form the control processes that both regulate and provide the basis of compliance management of what all Councils do.

Internal Audit is focussed on the policies and procedures that Councils use to ensure compliance with the governing regulations. This is delivered by an Internal Auditor appointed by Council.

External Audit provides external oversight of the management and financial security and control of each Council, by an audit practice appointed by the Government.

They are delivered and managed quite separately but combine to deliver assurance and should prevent fraud and inappropriate practices operating.

Appointment of an Internal Auditor

A smaller authority 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. Note that these standards, issued in 2013, have NOT been applied to smaller authorities. Compliance is therefore according to the guidance provided by the Practitioners Guide.

The appointment of the Internal Auditor is guided by the Clerk, who will undertake local research to identify a short-list of candidates. The final selection is by Councillors who must satisfy themselves that the appointee meets the criteria.

There is no published guidance as to the appointment period for an Internal Auditor but it is considered good practice that they are changed periodically to gain from a "fresh pair of eyes" approach. This Council :

- Makes an initial appointment for a single year.
- Subject to satisfaction with the thoroughness of the audit and the quality of the report, continuation with the appointee for a further 3 years is normal.
- A review is implemented following the 4th report. If it can be demonstrated that the annual process has developed over time, renewal is possible.

Qualities this Council requires of an Internal Auditor

- Fully independent of all Council activities.
- Does no other work for the Council.
- Has no role in supporting the Council in any other way.
- Provides a written report identifying areas where improvements can be made.

Council must satisfy itself that the person appointed can deliver the role and therefore needs to have :

- An understanding of basic book-keeping and sound accounting processes.

- Understand that the role is reviewing systems and process rather than the physical accounts.
- An awareness of risk management in its widest sense.
- A good understanding of proper practices in relation to the governance and accounting requirements within the legal framework and powers of smaller authorities.

The Internal Audit Process

- It is anticipated that the audit will be carried out remotely by completion of an extended questionnaire, which may be supplemented by a physical visit to inspect specific documents/verify certain processes, as determined by the auditor.
- Scope :
 - Check financial processes to ensure compliance with requirements. Note : not a review of mathematical competence or accounting process. Sufficient to ensure that the AGAR External doc can be correctly completed.
 - Check reliability and integrity of financial information.
 - Check asset register for completeness and safeguarding of assets.
 - Check for the efficient use of resources.
 - Check systems to ensure all policies, procedures, laws & regulations are recognised and the Council is compliant.
 - Note that the exact specification of the process is the responsibility of the auditor, not the Council.
- Access :
 - There must be no restrictions to any official Council documents during the audit.
 - The auditor can demand to see evidence of process at any time.
 - The full co-operation of the Clerk and Councillors (if requested) must be forthcoming.
- PC's responsibility :
 - The RFO as clear and specific existing responsibilities regarding risk management, internal financial control, internal self-audit, the prevention of fraud and corruption and completion and compliance with the external audit processes; this policy does not in any way remove these existing responsibilities.
- Reporting
 - The appointed Internal Auditor will report on their findings and make relevant recommendations to the Council.
 - The Council must formally accept the report and accept/challenge the recommendations. This must be minuted, and is required as part of the External Audit process.

The External Audit process

The External Audit process brings together the output of the Internal Audit of processes and the governance and financial elements. This is carried out remotely using the Annual Governance & Accountability Return [AGAR] suite of documents. This comprises 4 checklists that must be completed following the year end and be returned by mid June to avoid penalties.

The documents are completed by the Clerk/RFO and comprise :

- A completion checklist to ensure everything is complete, as failure to send the complete suite can be subject to penalties.
- The Annual Internal Audit Report which must be completed by the Council appointed Internal Auditor and be signed. This is in addition to their own separate written report.

- Section 1 : Annual Governance Statement. This confirms that the Council as acted as specified in relevant legislation and must be FIRST signed by the Clerk, be presented at a full Council meeting and be signed in the presence of Councillors and be minuted with the minute reference being recorded on the form.
- Section 2 : Accounting Statements. These comprise the previous year submission and the current year figures. These are extracted from the Council's annual accounts. This is signed by the Responsible Financial Officer [RFO] in our case this is also the Clerk, and then be countersigned by the Chairman and be minuted as above, with a separate minute reference. This document must be signed after the Section 1 document.
- The external auditor may specify additional documents, generally a description of variances from the previous year data with explanations.
- Council must also submit a Notice of Public Rights which confirms a period when the documents are available for inspection.

Submission & Completion

- The final submission date is generally in mid-June. Failure to comply initiates a mandatory fine.
- The External Auditor issues a conclusion of Audit document and returns their signed certificate, subject to a successful audit report being achieved. This is normally during September.
- All submitted documents, and other internal support documents such as the Internal Audit Report and the Annual Accounts must be published on the Council website to comply with the Transparency Regulations, compliance with which is an external audit requirement.

This policy was reviewed at the February 2024 Council meeting.