EXBOURNE WITH JACOBSTOWE PARISH COUNCIL.

Internal Control and Audit Policy

This document sets out Exbourne with Jacobstowe Parish Councils approved and agreed practices. Any deviation must be made by resolution of the full Council and recorded below.

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Policy Review (where document reviewed but no changes made):

Review Number	Date	Resolution number & Minutes Ref:

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Exbourne with Jacobstowe Parish Council
Internal Control & Audit Policy.

1. **Scope of Responsibility**

Exbourne with Jacobstowe Parish Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

2. **Legal Requirements & Responsibilities.**

   To safeguard Exbourne with Jacobstowe Parish Council (EJPC) finances there are 3 systems of control:

   - **Internal control -** incorporates up-to-date standing orders, financial regulations, code of conduct, insurance and audit review.
   - **External Audit -** is independent of the operations (financial control/management) of EJPC and competent in the understanding of the law as applicable to Local Councils, of simple accounting and basic PAYE and VAT requirements.
   - **Internal Audit -** is a key component of the system of internal control. Its purpose is to review whether the systems of financial control and other controls over the activities of EJPC are adequate, effective, and in line with current regulations. Internal audit does not actively seek evidence of fraud, corruption, error or mistakes however, it can assist EJPC in its responsibility for the prevention and detection of such occurrences.

The **Accounts and Audit Regulations 2015** requires EJPC as a smaller authority, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. The purpose of the Annual Governance Statement is for EJPC to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for.

3. **The purpose of the system of Internal Control.**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

4. **Personnel involved with the Internal Control Environment.**

   The Council:

a. The Council has appointed a Chairman who is responsible for the smooth running of meetings and for ensuring that all Council decisions are lawful. The Chairman signs the last page of the minutes and initials all other pages.

b. Decisions made, should be within the Standing Orders and Financial Regulations laid down and approved by the Council.

c. The Council reviews its obligations and objectives and approves budgets for the following year at its either the December or January meeting. At the December or January meeting of the Council approves the level of precept for the following financial year following approval or the budget.

d. The Council receives a monthly financial statement which it approves at the Council meetings. Payments are made in accordance with Standing Orders and Financial Regulations.
e. Two councillors must sign all cheques. The signatories will also initial the cheque stubs. The signatories will ensure that the cheque agrees with the amount of the invoice and the payee named on the invoice.
f. Two councillors must sign the schedule of payments presented at the parish council meeting for any transactions. The councillors will ensure that the amount of the invoice matches the amount on the schedule for payment. Two Councillors will check and sign the schedule against the online bank account (if applicable) at the Parish Council meeting each month to ensure no unauthorised transactions have taken place.
g. The Clerk / RFO may not authorise payments (unless under scheme of delegation), but a resolution from the Council proposed and seconded will agree the receipts and payments to be made.
h. At the year end, the Chairman shall ensure that the cash book totals are reconciled to the year-end bank statement and shall sign a printed copy of the cash book and the year-end bank statement as evidence of this check.

Clerk to the Council / Responsible Financial Officer:

The Council has appointed a Clerk to the Council who acts as the Council's advisor and administrator. The Clerk is the Council's Responsible Financial Officer and is responsible for administering the Council's finances. The Clerk is responsible for the day-to-day compliance with laws and regulations that the Council is subject to and for managing risks. The Clerk also ensures that the Council's procedures, control systems and polices are maintained. The duties of the Clerk / RFO are laid down in a Job Description which is reviewed each year at the year-end appraisal.
a. The RFO submits all the requested information to the External Auditor by the required date
b. The RFO arranges for the public notices to be displayed
c. The RFO will retain all relevant documents relating the financial year for 7 years (Annual Return, VAT Returns, PAYE/NIC information, Public notices, Fixed Asset register, Risk assessments; accounts and supporting information)

Internal Auditor (IA)

a. The Council will appoint an Independent Internal Auditor who will report to the Council on the adequacy of its: Records, procedures, systems, internal control, regulations, risk management & reviews
b. The effectiveness of the internal audit is reviewed annually, and the council agrees to the appointment of the Internal Auditor. The Internal Auditor, who is competent and independent (i.e. has not dealings with the Councils finances), is advised of the scope of the work required by the Council.
c. The scope of the work (and the charge) of the IA is reviewed annually and the review and the appointment is recorded in the minutes.
d. The IA will be allowed to have direct access to those charged with governance and will inspect the accounts at the yearend (prior to completion of the Annual Return pages 2 and 3) and will complete page 5 of the Annual Return
e. The IA will write a separate report to the Council (a copy of which is sent to the Chairman) detailing any findings they might have.
f. The report of the IA is copied to all members of the Council and considered as an agenda item at the next meeting.

External Auditor (EA):

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The Council's External Auditors, appointed by the Audit Commission, submit an External Auditor's Report, which is presented to the Council, unless the Council have certified themselves as exempt from External Audit.

5. Risk Assessment & Risk Management

The Clerk/RFO will report on risk assessment to the Meeting as and when necessary. The Parish Council's insurance cover will be reviewed at the Annual Parish Council Meeting in May prior to renewal on 1 June.

Please note that fundraising activities/successful funding applications should be taken into account as they may increase the amount of funds held at any given point.

6. Internal Audit

a) Appointment of the Internal Auditor – Independence & Competence

EJPC will ensure the Internal Auditor will be independent and free of any actual or perceived conflict of interest i.e. no involvement in financial decision making, management, control or other role within EJPC. The Internal Auditor will be allowed to have direct access to those charged with governance.

EJPC will ensure that the Internal Auditor is competent to carry out the work and possess accounting and audit qualifications, with supporting local council references.

The Internal Auditor is appointed by and reports to EJPC and not the Clerk/RFO.

b) Scope and Timing of the Internal Audit

The Council may require the Internal Auditor to conduct and prepare an interim audit, part way through the year, of current processes and procedures in order to support assurance ahead of the final audit.

The final audit is undertaken after completion of the year-end, so that balances within the accounts may be verified. The Internal Auditor will submit their written report/s to the Council. In relation to concerns of fraud, the Internal Auditor should report to the Chair & Vice-Chair of the Council.

c) Audit Reporting and Action Planning

On completion, the Internal Auditor's report will be addressed to the Council and include an action plan setting out any areas of improvement required, any proposed remedial actions, the people responsible for delivering improvement, and the deadlines for completion of the actions. EJPC is required to review the internal audit report and to demonstrate consideration by inclusion in the minutes. Each item mentioned in the report should be fully addressed.

There may be a need for councillor training to ensure that all members fully understand this role and budget provision will be provided where necessary.

7. Completion of the Annual Governance and Accountability Return (AGAR)

a) Annual Governance Statement (AGS) Assertions

In order to have appropriate evidence to support its AGS, EJPC will appoint an independent Internal Auditor to review, test and report on whether EJPC's system of financial control is adequate and working satisfactorily covering the following assertions;

i. Financial management and preparation of accounting statements – EJPC have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.

ii. Internal Control - EJPC maintains an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

iii. Compliance with laws, regulations and proper practices - EJPC takes all reasonable steps to assure that there are no matters of actual or potential noncompliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.
iv. Exercise of Public Rights - EJPC provides proper opportunity during the year for the exercise of elector's rights in accordance with the requirements of the Accounts and Audit Regulations.
v. Risk Management - EJPC carries out an assessment of the risks facing a smaller authority and ensures appropriate steps are taken to manage those risks; including the introduction of internal controls and/or external insurance cover where required.
vi. Internal Audit - EJPC maintains throughout the year an adequate and effective system of internal audit of the accounting records and control systems.
vii. Reports from Auditors - EJPC takes appropriate action on all matters raised in reports from internal and external audit.
viii. Significant Events - EJPC has considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate, included them in the accounting statements.

For more information see Appendix 4: Guidance on AGS Assertions.

8. Internal & External Audit outcomes for the financial year ending 31st March 2020.

a) Significant Issues identified by the Internal Auditor:

None identified for the 2019-20 financial year.

b) External Auditor's Opinion

Exbourne with Jacobstowe Parish Council was under the turnover threshold of £25,000 for the 2019-20 financial year and certified themselves as exempt from Audit.

9. Review of Effectiveness of Internal Audit

The Council has responsibility for conducting an annual review of the effectiveness of the system of internal control, which should include a review of the effectiveness of internal audit. The Council will carry out a review of the effectiveness of their overall internal audit arrangements in the year of any change of internal audit provider or RFO.
The results of that review must be considered and approved by the Council.
The review of the effectiveness of the system of internal control is informed by the work and any issues identified by:

- Full Council – identification of new activities
- Clerk to the Council / RFO who has responsibility for the development and maintenance of the internal control environment and managing risks – risks identified
- Internal Auditor who reviews the Council's system of internal control. The auditor will make a written report to the Council (in addition to the Report in the Annual Return.) – actions arising from reports
- The Council's External Auditors, who make the final check using the Annual Return, a form completed and signed by the R.F.O, the Chairman and the Internal Auditor. The External Auditor issues an annual audit certificate – action arising from Audit Report.

10. Reference Document

Governance and Accountability for Smaller Authorities in England - A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements (March 2019)

11. Conclusion

EJPC prides itself on setting and maintaining high standards and promoting a culture of openness, with core values of fairness and trust. This policy fully supports EJPC's desire to maintain an honest council, free from fraud and corruption.

12. Appendices (click on the links to be taken to the relevant section):

Appendix 1. Example of "Schedule of Internal Control Testing"

Appendix 2: Example of "Review of effectiveness of the Internal Auditor"

Appendix 3: Example of "Review of effectiveness of the EJPC Internal Audit"

Appendix 4: Guidance on AGS Assertions.

Appendix 1. Example "Schedule of Internal Control Testing"

Internal Control	Suggested testing
Proper bookkeeping	• Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct? • Is the cashbook regularly balanced?
a) standing orders and financial regulations adopted and applied; and b) payments controls	• Has the council formally adopted standing orders and financial regulations? • Has a Responsible finance officer been appointed with specific duties? • Have items or services above the de minimus amount been competitively purchased? • Are payments in the cashbook supported by invoices, authorised and minuted? • Has VAT on payments been identified, recorded and reclaimed? • Is s137 expenditure separately recorded and within statutory limits?
Risk management arrangements	• Does a review of the minutes identify any unusual financial activity? • Do minutes record the Council carrying out an annual risk assessment? • Is insurance cover appropriate and adequate? • Are internal financial controls documented and regularly reviewed?
Budgetary Controls	• Has the Council prepared an annual budget in support of its precept? • Is actual expenditure against the budget regularly reported to the council? • Are there any significant unexplained variances from budget?
Income Controls	• Is income properly recorded and promptly banked? • Does the precept recorded agree to the Council Tax authority's notification? • Are security controls over cash and near-cash adequate and effective?

Payroll Controls	• Do all employees have contracts of employment with clear terms and conditions? • Do salaries paid agree with those approved by the Council? • Are other payments to employees reasonable and approved by the council? • Have PAYE/NIC been properly operated by the council as an employer?
Assets controls	• Does the council maintain a register of all material assets owned or in its care? • Are the assets and Investments registers up to date? • Do asset insurance valuations agree with those in the asset register?
Bank Reconciliation	• Is there a bank reconciliation for each account? • Is a bank reconciliation carried out regularly and in a timely fashion? • Are there any unexplained balancing entries in any reconciliation? • Is the value of investments held summarised on the reconciliation?
Year-end procedures	• Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)? • Do accounts agree with the cashbook? • Is there an audit trail from underlying financial records to the accounts? • Where appropriate, have debtors and creditors been properly recorded?

Appendix 2: Example of "Review of effectiveness of the Internal Auditor"

[Insert name of Internal Auditor] has acted as the Exbourne with Jacobstowe Parish Council internal auditor for *[Insert]* financial year. The work as Internal Auditor is done on a paid basis. He/she has indicated that they are prepared to continue to act as the Council's Internal Auditor for *[Insert]* financial year-end audit.

For internal audit to be considered effective, the following criteria must be satisfied:

- that the Internal Auditor is independent of the other financial controls and procedures of the council which are subject of review;
- that they are competent to carry out the role in a way that will meet the business needs of the council;
- that consideration is made to how many times in a year the systems and records should be subject to internal audit;
- that the scope of internal audit is sufficient;
- that any internal audit report is considered in full by a meeting of the parish council; and

- that appropriate action is taken on any recommendations contained in the internal audit report.
- The council must also satisfy itself that the quality of delivery of the internal audit service provides reliable assurance about the council's internal controls and its management of risk.

Considering these requirements for internal audit for Exbourne with Jacobstowe Parish Council: ____
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Independence
[Insert name of Internal Auditor] has no involvement in the Council's financial controls, procedures or decision making. The Internal Auditor is not related to, any member of the Council or the Clerk. The Internal Auditor has direct access to the Council should he/she think this necessary.

Competence
[Insert name of Internal Auditor] is a qualified/unqualified (FMAAT) and operates as an individual. The Internal Auditor has experience of carrying out audit work for parish councils. The Internal Auditor has built up knowledge of local council finance over the years. The Internal Auditor has a copy of "Governance and Accountability for Local Councils – a Practitioner's Guide 2016" which the Internal Auditor uses as a reference tool for their audit work. There is no evidence/reason to believe that the internal audit will not be carried out competently, ethically and with integrity and objectivity.

Scope of Work
The scope of the internal audit work carried out by *[Insert name of Internal Auditor]* Follows the suggested approach to internal audit provided by Appendix 9 of the "Governance and Accountability for Local Councils – a Practitioner's Guide 2016."

Audit Report
[Insert name of Internal Auditor] will prepare a report in their own name and addressed to the council following completion of the internal audit. It will be presented in full to the Council at the next meeting after it has been issued. Any actions to be taken on the recommendations made will be minuted.

Recommendation: ____
____
____

Signed by: ____Date:______________

Print Name:____Chair/Vice-Chair

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Appendix 3: Example of "Review of effectiveness of the EJPC Internal Audit"

Reviewed and adopted on: ____________________________

Characteristics of 'effectiveness'	Evidence of Achievement	Areas for development
1. Scope of internal audit	Terms of Reference were approved on Scope of audit work takes into account risk management processes and wider internal control. Risk Assessment defines audit responsibilities in relation to fraud	
2. Independence	Internal Auditor has direct access to all records. Reports are made in own name to management. Auditor does not have any other role within the Council	
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	
4. Relationships	Responsible Officer consulted on the internal audit 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; training of members is carried out as necessary.	
5 Audit Planning and reporting	The Audit takes account of corporate risk. The details of the internal audit will be approved by the council as report received. Internal Audit has reported in accordance with the objectives and responsibilities of the Council	
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the Councils needs	
Understanding the whole organisation its needs and objectives	The annual audit demonstrates how audit work will provide assurance in relation to the Councils responsibilities	
Be seen as a catalyst for change	Supportive role of audit for developments such as 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, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services and risk management	
Be challenging	Internal audit focuses on risks and encourages The council to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the 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.	

Appendix 4: Guidance on AGS Assertions.

Guidance for Section 1 – Annual Governance Statement of AGAR.

Based on information in the Joint Panel of Annual Governance and Accountability (JPAG)

ASSERTION 1

We have put in place arrangements for the effective financial management during the year, and for the preparation of the accounting statements in accordance with the Accounts and Audit Regulations

To warrant a positive response to this assertion, JPAG require that the following processes need to be in place and effective:

i. The Council needs to prepare and approve a budget in a timely manner before setting a precept or rates and prior to the commencement of the financial year. It needs to monitor actual performance against its budget during the year, taking corrective action where necessary.
ii. A financial appraisal needs to be undertaken before the council commences any significant project or enters into any long-term commitments.
iii. Appointment of an officer to be responsible for the financial administration of the authority in accordance with section 151 of the Local Government Act 1972.
iv. The authority needs to have satisfied itself that its Responsible Finance Officer (RFO) has determined a system of financial controls and discharged their duties under Regulation 4 of the Accounts and Audit Regulations 2015
v. The RFO needs to have put in place effective procedures to accurately and promptly record all financial transactions and maintain up to date accounting records throughout the year, together with all necessary supporting information.
vi. The accounting statements in Section 2 of the Annual Governance and Accountability Return need to agree to the underlying records.
vii. Bank reconciliation — Statements reconciling each of the authority's bank accounts with its accounting records need to be prepared on a regular basis, including at the financial year-end, and reviewed by members of the authority.

viii. Statement of accounts — The authority needs to ensure that arrangements are in place to enable preparation of an accurate and timely statement of accounts in compliance with its statutory obligations and proper practices

ix. Reserves — The authority needs to have regard to the need to put in place a General Reserve Policy and have reviewed the level and purpose of all Earmarked Reserves

ASSERTION 2

We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness (made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge)

In order to warrant a positive response to this assertion, JPAG require that the following processes need to be in place and effective:

i. The Council needs to have in place standing orders and financial regulations governing how it operates. Financial regulations need to incorporate provisions for securing competition and regulating the manner in which tenders are invited. These need to be regularly reviewed, fit for purpose, and adhered to.

ii. Safe and Efficient Arrangements to Safeguard Public Money. Practical and resilient arrangements need to exist covering how the authority orders goods and services, incurs liabilities, manages debtors, makes payments and handles receipts. Authorities need to have in place safe and efficient arrangements to safeguard public money.

iii. Authorities need to review regularly the effectiveness of their arrangements to protect money. Every authority needs to arrange for the proper administration of its financial affairs and ensure that one of its officers (the RFO) has formal responsibility for those affairs

iv. Authorities need to ensure controls over money are embedded in Standing Orders and Financial Regulations. Section 150(5) of the Local Government Act 1972 required cheques or orders for payment to be signed by two elected members (Cheques).

v. Authorities need to approve the setting up of, and any changes to, accounts with banks or other financial institutions. Authorities also need to approve any decisions to enter into ‘pooling’ or ‘sweep’ arrangements whereby the bank periodically aggregates the authority’s various balances via automatic transfers.

vi. If held, corporate credit card accounts need to have defined limits and be cleared monthly by direct debit from the main bank account. Credit card balances are not acceptable reconciling items for bank reconciliation purposes.

vii. The authority needs to approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.

viii. Risk assessment and internal controls need to focus on the safety of the authority’s assets, particularly money. Those with direct responsibility for money need to undertake appropriate training from time to time.

ix. Employment — The remuneration payable to all employees needs to be approved in advance by the authority. In addition to having robust payroll arrangements which cover the accuracy and legitimacy of payments of salaries and wages, and associated liabilities, the authority needs to ensure that it has complied with its duties under employment legislation and has met its pension obligations.

x. VAT — The authority needs to have robust arrangements in place for handling its responsibilities with regard to VAT.

xi. Fixed Assets and Equipment — The authority's assets need to be secured, properly maintained and efficiently managed. Appropriate procedures need to be followed for any asset disposal and for the use of any resulting capital receipt.

xii. Loans and long-term liabilities — Authorities need to ensure that any loan or similar commitment is only entered into after the authority is satisfied that it can be afforded and that relevant approvals have been obtained. Proper arrangements need to be in place to ensure that funds are available to make repayments of capital and any associated interest and other liabilities.

xiii. Review of effectiveness — Regulation 6 of the Accounts and Audit Regulations 2015 requires the authority to conduct each financial year a review of the effectiveness of the system of internal control. The review needs to inform the authority's preparation of its annual governance statement.

ASSERTION 3

We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances *(has only done what it has the legal power to do and has complied with Proper Practices in doing so).*

In order to warrant a positive response to this assertion, JPAG require that the following processes need to be in place and effective:

i Acting within its powers — All authorities' actions are controlled by statute. Therefore, appropriate decision-making processes need to be in place to ensure that all activities undertaken fall within an authority's powers to act. In particular authorities need to have robust procedures in place to prevent any decisions or payments being made that are ultra vires, i.e. that the authority does not have the lawful power to make. The exercise of legal powers needs always to be carried out reasonably. For that reason, authorities making decisions need always to understand the power(s) they are exercising in the context of their decision making.

ii General power of competence — In particular an authority seeking to exercise a general power of competence under the Localism Act 2011 needs to ensure that the power is fully understood and exercised in accordance with the Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012.

iii Regulations and proper practices — Procedures need to be in place to ensure that an authority's compliance with statutory regulations and applicable proper practices is regularly reviewed and that new requirements, or changes to existing ones, are reported to members and applied. Authorities need to have particular regard to the requirements of the Accounts and Audit Regulations 2015.

iv Actions during the year — An authority needs to have satisfied itself that it has not taken any decision during the year, or authorised any action, that exceeds its powers or contravenes any laws, regulations, or proper practices

ASSERTION 4

We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations

In order to warrant a positive response to this assertion, JPAG require that the authority needs to have taken the following actions in respect of the previous year's Annual Governance and Accountability Return

i. Exercise of public rights. The authority provided for the exercise of public rights set out in Sections 26 and 27 of the Local Audit and Accountability Act 2014. Part 5 of the Accounts and Audit Regulations 2015 requires the RFO to have published, including on the authority's website or other website:
   - Sections 1 and 2 of the Annual Governance and Accountability Return;
   - a declaration that the status of the statement of accounts is 'unaudited'; and
   - a statement that sets out details of how public rights can be exercised, as set out in Regulation 15(2)(b), which includes the period for the exercise of public rights.

ii. External Auditor's Review — A notice of the conclusion of the external auditor's limited assurance review of the Annual Governance and Accountability Return, together with relevant accompanying information, was published (including on the authority's website or other website) in accordance with the requirements of Regulation 16 the Accounts and Audit Regulations 2015.

ASSERTION 5

We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risk, including the introduction of internal controls and/or external insurance cover where required.

In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place

i. Identifying and assessing risks — The authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.

ii. Addressing risks — Having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

ASSERTION 6

We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

In order to warrant a positive response to this assertion, the authority needs to have taken the following actions

i. Internal audit — The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account internal auditing guidance for smaller authorities.

ii. Provision of information — The authority needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit, including making available all relevant documents and records and supplying any information or explanations required.

ASSERTION 7

We took appropriate action on all matters raised in reports from internal and external audit

To warrant a positive response to this assertion, the authority needs to have considered all matters brought to its attention by its external auditor and internal audit and taken corrective action as appropriate.

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ASSERTION 8

We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements

To warrant a positive response to this assertion, the authority needs to have taken the following actions where necessary:

Significant events — The authority needs to have considered if any events that occurred during the financial year (or after the year-end), have consequences, or potential consequences, on the authority's finances. If any such events are identified, the authority then needs to determine whether the financial consequences need to be reflected in the statement of accounts.

ASSERTION 9

Trust funds (including charitable). In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.

Where a local authority acts as a sole managing trustee for a trust or trusts, to warrant a positive response to this assertion the authority needs to have made sure that it has discharged all of its responsibilities with regard to the trust's finances. This needs to include financial reporting and, if required, independent examination or audit. This is notwithstanding the fact that the financial transactions of the trust do not form part of the authority's accounts and are therefore not included in the figures reported on Section 2 of its Annual Governance and Accountability Return.