

Internal Audits Policy

Introduction

An internal audit is a formal examination of the financial books and records of the component association to determine their accuracy and completeness, to detect and recommend correction of errors, and to assure the board and membership that the records are correct.

All Trust schools shall be audited three times a year. In addition, the Board of Trustees can request a special audit at any time, if deemed necessary, and an audit should be performed when there is a change in financial officers. The Audit Committee (consisting of at least 2 Trustees, The Accounting Officer and the External Auditors) is appointed by the Board of Directors.

An internal audit should be performed by an impartial person not related to the any Trustee or employee handling funds and, if possible, not by one authorised to sign cheques.

All information obtained during an internal audit is deemed confidential unless otherwise instructed. It is understood that certain items are confidential in nature and special arrangements may be required when examining and reporting on such items.

Internal Audit will handle all information obtained during a review in the same prudent manner as the custodian of such information. Internal Audit respects the value and ownership of information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Audit reports are considered highly confidential. They are distributed to the respective area. Other individuals interested in the audit report may gain access by contacting the Principal Finance Officer, with the approval of CEO.

The benefits of an internal audit are:

-  Demonstrates thorough and resilient management
-  Tests our control systems
-  Suggests ways to improve them
-  Monitors these improvements have been made
-  Demonstrates to funders and stakeholders that we have taken steps to control assets and activities
-  Helps to find the root of problems
-  Establishes management's responsibility for risk management and control
-  Contributes to risk management
-  Assists people within the organisation to a better understanding of the purpose and
-  effectiveness of risks and controls
-  Improves the quality and quantity of information
-  Improves communication and motivation
-  Links risk to objectives and strategies

Gather support

We are aware that internal auditing can be seen as quite an invasive process particularly if members of staff are auditing each other's work. We will emphasise the fact that it is an improvement process and ensure it has support from senior management

Create plan

The first step for the audit committee is to identify the internal audit plan of work for the year ahead. The internal audit plan will identify which activities will be tested, how often and by whom.

Once complete, the plan will be approved by the trustee board and also linked to the risk management process. Depending on their risk rating, some activities should be looked at annually. Less risky activities may be reviewed less often.

Report

The internal/external auditor will submit the full audit report to the Principal Finance Officer within 5 working days of the audit.

The Principal Finance Officer will e-mail the reports to member so the Audit Committee 5 working days before the committee meet. The internal/External

audit will submit a summary report of their findings to the Audit Committee. The Audit Committee will review both the full Audit and summary findings

These finding will be communicated back to the schools and in writing, with recommendations to each school within 10 working days of the Audit Committee.

Any findings will then be added into the internal audit plan and checked at the next internal audit review later to see that they have been implemented.

What activities to audit

The following activities undertaken will be internally audited at each audit review:

-  Payroll
-  Purchases
-  Cheque run
-  Suppliers Statement
-  Barclaycard Credit Card
-  Income
-  Accounting Systems
-  Business Interest of Staff
-  Related Parties
-  Gift Register
-  Any novelty or contentious transactions
-  Scheme of delegation

Internal audit in detail

The Institute of Internal Auditors approved the following definition of Internal Auditing in 2002:

"Internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

There are a number of key words in this definition:

Internal - makes it clear that employees of the organisation undertake the work. External auditors, who audit the annual accounts, are independent of

the organisation.. Therefore attitudes and organisational knowledge are going to be very different.

Auditing - internal audit goes beyond the examination of accounts which is the role of external audit, and covers other activities as well.

Independent - Internal auditors should be independent of the activities they audit and should report to Board or Trustee level.

Add value and improve - not only to make a searching examination but also to evaluate performance in terms of value and quality

Consulting activity - internal audit should only be limited by the ability of the internal auditor to carry out an effective appraisal

Improve the effectiveness - it is the responsibility of internal auditing to make a contribution to the organisation

Risk - is not just confined to the financial affairs of the organisation but to all operation

Internal auditing is therefore very different from external auditing. External auditing is concerned with the verification of financial statements and is conducted within a statutory framework.

Risk management

The internal audit function is used to establish the risks of the charity together with the controls and processes necessary to mitigate the risk and can audit to ensure that the controls and processes are working across the charity.

Types of risk include environment, reputation, regulation, staff turnover, operations, technology and integrity.

The Audit Committee will carry out a review of this policy on a regular basis to ensure that any new or changed legislation is adhered to.