

# THURSTON PARISH COUNCIL

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CLERK TO THE COUNCIL - Paper prepared by: Mrs Vicky Waples, Clerk to the Council - for consideration by the Policy and Resources Committee Meeting of 12<sup>th</sup> February 2021

Aim: to provide a recommendation to full Council at its meeting on 3<sup>rd</sup> March 2021 on the appointment of the Council's Internal Auditor

1. 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.'
2. Proper practices states that internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.
3. The key principles an authority should follow in sourcing an internal audit provider are independence, competence and proportionate:
  - The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review.
  - The person or persons carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority. It is for each authority to decide, given its circumstances, what level of competency is appropriate, and to keep this issue under review.
  - When securing an internal audit service, the parish council should make sure that it is proportionate to the needs, size and the circumstances of the authority.
4. The scope of the Internal Audit being offered by Mr Brown is attached as an Appendix to this paper.

**Internal Audit Review Checklist – the following questions if answered in the affirmation will ensure that the Council is meeting the standards of audit provision:**

Expected standard	Evidence of achievement
Independence	Internal audit has direct access to those charged with governance. Internal audit does not have any other role within the council and is independent of the financial controls and procedures of the council which are the subject of review.
Competence	There is no evidence of a failure to carry out internal audit work ethically, with integrity and objectivity. Internal audit work reviews systems and covers risk management and duties applicable to the parish council and the legal and corporate framework in which it operates. No proposal to change the current auditor who first carried out the audit in 2016 - 2017.

Proportionate	Internal audit is appropriate to test the existence and adequacy of internal controls and will be carried out on an annual basis. Internal audit will provide assurance for the council's Annual Governance Statement.
Effective	At least annually, Council should carry out a review of the effectiveness of its overall internal audit arrangements. Any review should balance the authority's internal audit needs and usage. It should be designed to provide sufficient assurance for the authority that standards are being met and that the work of internal audit is effective.

**Recommendation: Council to agree to recommend to full Council at its meeting on 3<sup>rd</sup> March 2021 the appointment of Mr Trevor Brown CPFA to carry out the internal audit on Thurston Parish Council at a cost of £260 plus pro rata travelling expenses at £0.45 pence per mile. It is anticipated that the audit will take place in the Parish Council Offices in late April 2021.**

## **Appendix - Internal Audit Terms of Reference - 2020/21 for Thurston Parish Council**

The Council as a whole is responsible in law for ensuring that its financial management is adequate and effective. Similarly, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and the arrangements for the management of risk. Internal Audit is a key component within that overall system of internal control.

The purpose of the Internal Audit is to review whether the systems of financial control and other controls over the activities of the Council are adequate, effective, and in line with current regulations. Whilst Internal Audit would not actively seek evidence of fraud, corruption, error or mistakes, it can assist the Council in its responsibility for the prevention and detection of such occurrences. The Internal Auditor is independent of the operations (financial control/management) of the Council and competent in the understanding of the law as applicable to Local Councils, of accounting and basic PAYE and VAT requirements. Any change in personal circumstances that may cause a question over the independence requirement must be reported to the Council.

The Internal Auditor will apply the standards stipulated by the JPAG Practitioner's Guide 'The Governance and Accountability of Smaller Authorities in England' and will carry out under the direction and management of the Council (or as may be delegated to a Committee or to the Clerk) the following duties:

- a) To review the accounting and internal control systems in place (it is the Council's responsibility to establish adequate and effective internal controls and act upon any recommendations put forward by the Internal Auditor in this respect).
- b) To provide an Internal Audit Report to the Council in writing on the results of the tests of the operation of the internal control systems.
- c) To carry out reviews and tests of the books, accounts, transactions and vouchers on a sample basis in order to arrive at an opinion on the systems in place.
- d) To complete the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) in respect of the financial year under review.

Internal Audit testing of internal controls will be sufficient for the proper completion of the Annual Internal Audit Report, which should provide an adequate level of assurance for the Council to complete the Annual Governance Statement within the AGAR.

In completing the Annual Internal Audit Report, the Internal Auditor will have planned and carried out the work necessary to give the assurances called for. The key control tests in the AGAR require an adequate and appropriate level of Internal Audit coverage; additional testing and reporting can be tailored to local circumstances. Internal Audit work always requires the application of judgement and, accordingly, the scope and the degree and frequency of testing should reflect and be proportionate to the likelihood of fraud, error or mis-statement that could occur. Testing should be related to the size and level of business activity of the Council.