

Review of effectiveness of internal audit and auditor May 2024

Introduction

In association with monitoring of the system of internal control set out in 'The Policy Statement of Internal Control' and the annual review of effectiveness of internal control, under statutory requirement the council must also review the effectiveness of the internal audit and auditor each financial year.

The Account and Audit Regulations 2015 require councils to ensure that an effective system of internal control and audit is in place and is annually reviewed to enable the council to positively answer all assertions in the AGAR (Annual Governance and Accountability Return).

Assertion 6 on the AGAR – INTERNAL AUDIT

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

Assertion 7 on the AGAR – REPORTS FROM AUDITORS

We took appropriate action on all matters raised in reports from the internal and external auditor. Please note that there were no matters for action arising in the external auditor's report.

The Clerk reviewed points raised in the internal audit report dated 3rd May 2024 and the following actions were undertaken/will be implemented:

Point A – “ Recommendation: council to continue to evidence appropriate ‘powers’ to spend and separate accounting of s.137 expenditure.

Clerk/Council actions – This will continue. Clerk considers powers to spend on a ‘payment by payment’ basis and cross reference with the “Power to Spend” list obtained from HAPTC. This is also noted in the cashbook under the ‘Authorisation reference’ tab. The cashbook’s cost centres had been set up to reflect the powers to spend.

Point B – “The newly released 2024 Model Financial Regulations should be considered for adoption at the earliest opportunity as these reflect current, appropriate financial practices to safeguard APC”.

Clerk/Council actions – This was adopted at the annual meeting.

Point C – “Whilst council complies ‘in all significant respects’ in this area it appears that council did not review the effectiveness of its internal controls during the current audit year. This is a statutory requirement under the Accounts and Audit Regulations 2015”.

Clerk/Council actions – Policy Statement of Internal Control and Review of Effectiveness of Internal Control had been added to the June 2024 agenda.

Point D – “APC complies ‘in all significant respects’ however because of the use of the software shows the budget with a precept already calculated, it is unclear if the setting of the precept resulted from the statutory budgetary calculation as laid down in law”.

The legislation is reproduced below but, in simple terms, it amounts to the straightforward calculation as taught at CiLCA: **Expenditure-income-/+ use of reserves =precept**

Clerk/Council actions – This was implemented for 2024-25 budget and precept setting process.

Point E – “Council seek advice regarding VAT on income, particularly with regards to any filming income.”

Clerk/Council actions – Cllr Webb previously obtained advice from HMRC and is satisfied that at present the Council does not need to register for VAT, however this is being monitored should filming occur on a regular basis.

Point G – “It was not evident, at the time of my visit, that an addendum to the clerk’s contract had been made as recommended last year.
The contractor agreement should be reviewed periodically to ensure that they continue to comply with the prevailing HMRC and PAYE regime.
It remains a recommendation that a HMRC gateway log in be obtained to enable scrutiny of the HMRC employers’ account”.

Clerk/Council actions – The Staffing Committee will review the clerk’s contract at the next meeting in October 2024.

The parish warden had signed the self-employment agreement in May 2024 and provided his PL insurance certificate. The grass cutting contractor’s PL insurance renewal is due in July and he will provide a copy of the certificate.

The Clerk had tried to log in to HMRC gateway, however on every occasion an error occurred. Clerk will keep on trying.

Point L – “There has been significant improvement throughout the year with the availability of the supporting papers for the agendas being uploaded to the website. Care should be taken to ensure that this is further expanded going forwards, with a full complement of supporting papers being available to underpin all agenda items. This will enable the public to easily follow business to be transacted”.

Clerk/ Council Actions – This is being followed when practical.

Review of effectiveness of internal audit

Expected Standard	Evidence of achievement	Is this standard achieved
Scope of internal audit	Scope of audit work was set out in Terms of Reference took into account risk	Yes

	management process and wider internal control. Terms of Reference define audit responsibilities in relation to fraud – Hertfordshire Internal Audit Service was appointed for the 2023/2024 internal audit on 7 th August 2023 Minute ref 23/60 d	
Independence	The auditor has direct access to the RFO. Reports are made in own name to management. The auditor does not hold any other role within the council	Yes- new auditor was introduced after long term use of previous auditor
Competence	No evidence that internal work has not been carried out ethically, with integrity and objectivity. The internal auditor familiar with governance processes and accounting regulations for parish councils. The internal auditor is an internal audit lead for HAPTC and a trainer.	Yes
Relationships	Clerk/RFO and councillors are consulted on the internal audit plan and on the scope of each audit. Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud/corruption matters. The responsibilities for council members are understood and training is carried out as necessary.	Yes- Clerk and the majority of councillors have attended training. Newly elected councillors were provided with training.
Audit Planning and Reporting	The audit is a feature of a wider plan with regards to internal control. Policy and procedural reviews and monthly reports form a part of the internal control.	The audit plan will be incorporated within the Policy Statement of Internal Control. The review of Internal Control is due in June 2024. A rolling programme of policy, governance and procedures is being undertaken by the clerk and the Council to ensure that the policies and procedures adopted are current.
Internal audit work is	Planned internal audit work	Yes- The Council approved

planned	is based on risk assessment and designed to meet the council's governance assurance needs.	the Terms of Reference (letter of engagement)
Understanding the whole organisation; its needs and objectives	The annual review demonstrates how audit work will provide assurance in relation to the council's annual governance statement	Yes
Be seen as a prompt for improvement	Supportive role of audit and the auditors' recommendations enables the council to positively develop and maintain a high standard of governance	Yes – Copy of the internal audit report was circulated to members upon receipt, and the council have implemented/ will implement recommendations where deemed necessary
Be forward looking	When identifying risks changes on national agenda are considered. Internal audit maintains awareness of the new developments in the services, risk management and corporate governance	Yes – clerk receives regular updates from advisory services regarding changes to procedural templates or regulations. New councillors have attended relevant training and the clerk is CiLCA qualified
Be challenging	Internal audit focuses on risks and encourages members to develop their own responses to risks rather than solely rely on auditors' recommendations	Yes – the council has a robust risk assessments in place and identify the need to mitigate risks when undertaking new projects.

Reviewed by the Clerk/RFO and recommended for adoption by the Council