Clerk’s report and recommendation to the Council meeting on 17th October 2023

**Agenda item 23/77 a**

**To approve the review of effectiveness of internal audit and the auditor.**

**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.**

**In July the Clerk and Cllr Maisey had a meeting to discuss the points raised in the internal audit report and the following actions were undertaken/will be implemented:**

**Point A – “**Whilst council does evidence use of s.137 expenditure and account for it separately as is required by statute this is a power of ‘last resort’. Council needs to consider other relevant ‘powers to spend’ and to evidence that they are acting within their statutory powers”.

**Clerk/Council actions** – 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. It was also agreed that the invoices will evidence the power to spend.

**Point B** – “Whilst there are standing orders and financial regulations in place council have chosen not to adopt the NALC model financial regulations in their entirety. This does mean that there is a risk that council could miss statutory duties so I would recommend that during the annual reviews these are cross referenced to the NALC model documents for adequacy. It would always be my recommendation that the NALC model documents are used and tailored, where appropriate to the council’s needs”.

**Clerk/Council actions** – Wigginton PC noted the recommendation to follow NALC model documents. WPC considers its approach is appropriate for the size and circumstances of the parish council.

**Point C** – “It is not apparent from the agenda or minutes if council are considering the lawfulness or appropriate ‘power to spend’ when discharging their duties therefore I would recommend that this consideration should be included more fully in the risk assessment and agenda (and subsequent minutes) to protect council from acting ‘ultra-vires’ at the point of decision making. The clerk should seek advice from HAPTC if necessary, in this area”.

**Clerk/Council actions** – Clerk considers powers to spend on a ‘payment by payment’ basis and cross reference with the “Power to Spend” list obtained from HAPTC where appropriate statute is listed. When required the clerk checks whether the council uses an appropriate power to spend. This is also noted in the cashbook under the ‘Authorisation reference’ tab.

**Point G** – “The clerk has been advised to obtain a HMRC log-in to enable her to scrutinise the information being inputted by the payroll provider.

**Clerk/Council actions** – The Clerk had made multiple attempts to obtain an HMRC Gateway Account without success. The Clerk will ask the payroll provider for an audit report/comfort letter.

**Point I** – “It is unclear from the minutes if additional independent scrutiny is being undertaken during the year as defined in the NALC Model Financial Regulations (2.2). Whilst WPC have decided not to adopt the NALC model policies it is my recommendation that periodic, independent scrutiny, from a Cllr who is not a bank signatory, as part of the council’s financial regulation or risk assessment would give council more security in this area”.

**Clerk/Council actions** –The recommendation of independent scrutiny by a Councillor will be implemented and minuted.

**Point L** – “The ‘relevant legislation’ includes, but is not limited to, the Accounts and Audit Regulations 2015. It is noted that the wording of this section of the AGAR was recently changed and the guidance in the 2022 edition of the Practitioners Guide refers to the previous wording. The requirements under 13(1)(a) of the above act remain unchanged therefore you must display the preceding years papers (2021/2022) on your website to be compliant. However, I refer the Council to paragraph 13(2) of these regulations. It specifies that documents identified in 13(1)(a) of the regulations must be ‘made available’ for a period of not less than five years. It has recently been asserted by the advisory group for internal auditors that ‘made available’ requires that the documents in question are published on the website. This is potentially open to an alternative interpretation, and, at the current time, the matter has not been definitively resolved”.

**Clerk/Council actions** – The Council is publishing required documents going forward. The website contains 4 years of information on accounts and audit and by the end of 2023-24 will have five.

**Review of effectiveness of internal audit**

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| **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 management process and wider internal control. Terms of Reference define audit responsibilities in relation to fraud – Hertfordshire Internal Audit Service was appointed for the 2022/2023 internal audit on 15th November 2022 Minute ref 22/111 | Yes – The Council approved HIAS for the 2023/2024 on 19th September 2023 Minute ref 23/55 d  Terms of Reference were signed by the clerk and sent to HAPTC |
| **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 using the same auditor for last two years |
| **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. | Not yet – The clerk will introduce an audit plan which will be incorporated within the Policy Statement of Internal Control and Audit.  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** | Planned internal audit work is based on risk assessment and designed to meet the council’s governance assurance needs. | Yes- The Council approved the Terms of Reference (letter of engagement) on 19th September 2023 |
| **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, 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 awaiting to be 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 or holding community events. |

**Reviewed and adopted by the Council:**