

Agenda item: OC 65/23

WOUGHTON COMMUNITY COUNCIL

Operations & Resources Committee

Monday 13th November 2023

PURPOSE OF REPORT:

To update the Terms of Reference for the Internal Audit.

RECOMMENDATION:

- 1. That the committee notes this report and attached document.**
- 2. That the committee ratifies this as an agreed way of working.**
- 3. That the committee agrees that the 'checklist' has been completed and all is in place.**
- 4. That the committee agrees to Auditing Solutions remaining as our Internal Audit provider for the coming year.**
- 5. That in future years, agreement on these Terms of Reference and agreement for auditing provision is agreed at the Annual Meeting.**

MAIN ISSUES AND CONSIDERATIONS:

As part of our financial regulations and to ensure that we are compliant with best practice, it is important that WCC undertakes a regular review of the internal audit, the provider and the 'terms of reference' that sit behind this.

We have had a 'checklist' in place which has been regularly reviewed, but a more formal policy, with agreement from council that everything is in place and working correctly is an essential element of this oversight.

Internal Audit is agreed in legislation and forms part of the overall governance and accountability elements of local government. This should include an annual agreement around the best audit provider (independent, suitably qualified, etc) and ensure that the systems in place are reflective of our operations, the regulations and exceeding best practice.

The paper attached includes this background, details the elements necessary and lays out the expectations of the auditor, the RFO and others.

It is recommended that for this year, Auditing Solutions continue to be the internal auditing company that is used.

This will need to be reviewed annually and agreed at the Annual Meeting in future. It has previously been 'delegated' to the Operations Committee, as was agreed at the Annual Meeting held in May 2023.

It is recommended that in future, agreement for internal audit is agreed at the Annual Meeting.

It is also important that the overall financial processes of the council are reviewed, in line with the Joint Panel on Accountability and Governance Practitioners Guide (the JPAG). The checklist included within this guide are highlighted within the attached paper.

It is recommended that the financial practices are reviewed annually, in line with the JPAG recommendations and that a report is provided to this committee and, in turn, to Full Council.

It is also important that regular reviews of all providers are undertaken and as such, it is also suggested that investigations are made into other internal audit providers. This is also useful as there is a concern amongst some in the sector that there is a lack of suitable providers. Given this, having an alternative and comparing options is a sensible action to take.

It is recommended that the RFO investigate options for internal audit provision that can be offered alongside Auditing Solutions.

BACKGROUND PAPERS:

ToR internal audit 2023.

AUTHOR

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Woughton Community Council

Internal Audit Terms of Reference 2023

Introduction / Overarching aims

- 1.1. Woughton Community Council has agreed to adopt the Terms of Reference at its meeting held on XXXX and has recorded the decision under Minute Ref: XXXX
- 1.2. Woughton Community Council will consider renewing these Terms of Reference at its Annual Parish Council meeting each year.
- 1.3. These Terms of Reference should be taken in conjunction with the test details in the latest edition of “Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide”.
- 1.4. The requirement for an Internal Audit comes under local government legislation, section 151 of the Local Government Act 1972. The Accounts and Audit (Amendment) (England) Regulations 2006 also identify the need for an Internal Audit function.

Policy

Requirements – General

- 2.1. Appointment of the Internal Auditor shall be at the Annual Parish Council meeting in May each year.
- 2.2. The Responsible Financial Officer (RFO) shall prepare the appropriate Internal Control processes to include Standing Orders, Financial Regulations, Financial Risk Assessments and General Management Risk Assessments.
- 2.3. Draft Internal Control documents shall be approved by Full Council.
- 2.4. All Internal Control processes shall be reviewed annually, and documents updated as appropriate.

Requirements – Independent Internal Auditor

- 3.1. The Internal Auditor must be independent of the activities they audit in order to remain impartial and effect professional judgements and recommendations. They shall have no other role within the Council.
- 3.2. The Internal Auditor shall carry out the work required by the Council with a view to satisfactory completion of the Internal Auditor’s Report section of the Annual Governance and Accountability Return as required annually by the External Auditors.
- 3.3. The Internal Auditor shall carry out their work in accordance with proper practices guidance with particular reference to Appendix 8 of the “Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide”.
- 3.4. The Internal Auditors Report shall be in their own name and addressed to the Council. A minimum of one annual report and one interim report in respect of each financial year shall be produced.
- 3.5. Should the Internal Auditor find that no matters have arisen from the audit which necessitates bringing to the attention of the Council, the report shall reflect this.
- 3.6. Each item of the Internal Auditors Report must be fully addressed and minuted by the

Operations and Resources Committee or Full Council meetings as appropriate.

Risks and Fraud

4.1. Accountability for the response to the risks identified by the Internal Audit shall be with the Council who either identify and implement the appropriate action or accept the risk.

4.2. Internal Audit shall provide advice on the risks of fraud and help raise awareness of fraud issues.

4.3. In the case of suspected fraud, the Internal Auditor should report to the Clerk / Council Manager, RFO, the Chair of the Council and the Chair of the Operations and Resources Committee*. It may be appropriate for the Internal Auditor to advise or assist with an investigation.

*The decision on who to report to shall sit with the Internal Auditor, where concerns about any individual may be part of reporting.

Approved “terms of reference” checklist for Internal Audit

1. Was the appointment of the Internal Auditor formally approved by the Council?
2. Have any deficiencies and/or recommendations identified during the External Audit been addressed?
3. Have all recommendations during the last Internal audit been duly considered and acted upon?
4. Has the Council carried out its Annual Review of Effectiveness of Internal Audit in accordance with the recommended guidance? Have all recommended actions been implemented?
5. Has the Council carried out its Annual Assessment of Risks in accordance with the recommended guidance? Have all recommended actions been implemented?
6. When did the Council last review its Financial Regulations? When is the next review due to take place?
7. When did the Council last review its Sanding Orders? When is the next review due to take place?
8. Is the documentation required for capital projects over £60,000 in place, and correct?
9. Are the Council’s book-keeping practices proper, maintained, and accurate?
10. Are payments correctly evidenced, authorised and recorded?
11. Has the Council’s budget been prepared and monitored in accordance with its financial regulations?
12. Are security controls over cash adequate and effective?
13. Is all petty cash recorded and supported by VAT invoices/receipts?
14. Is payroll properly operated and in accordance with contracts of employment approved by the Council?
15. Is the Council’s asset register properly maintained and up to date?
16. Are bank reconciliations carried out regularly for all accounts and reported to the Council?
17. Are the year- end accounts prepared on the correct basis and tally with the cash book?

Linked policies (i.e. to be read in conjunction with).

- Financial Regulations
- Procurement policy
- Banking procedure
- Investment Strategy
- Risk Register / Contingency Planning
- Asset Register
- Write off and disposal policy.

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| Last review date: | November 2023 |
| Next review date: | May 2024 |
| Lead: | RFO |
| Overseeing Committee: | Operations and Resources |
| Approved: | |
| Review cycle: | Annually at annual meeting |