



MELTON PARISH COUNCIL

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REVIEWING THE SCOPE AND EFFECTIVENESS OF INTERNAL AUDIT ARRANGEMENTS

Internal audit arrangements are a key part of the Council's system of internal control, which includes:

- The provision of effective Standing Orders and financial Regulations
- Safe and efficient arrangements to protect public money
- An effective approval system for remuneration, robust payroll arrangements, and compliance with employment and pension obligations
- Arrangements for compliance with VAT legislation
- Arrangements for the management and maintenance of fixed assets and equipment
- Proper arrangements for entering into loan commitments and repayments
- Annual review of the system of Internal Control.

A report on Internal Control policy is brought before Full Council annually – usually to the March meeting to ensure it is considered in advance of year end. Internal audit is a key aspect of this and is covered in the report. However as well as ensuring the appointment of an independent Internal Auditor annually the Council should:

- Review the *effectiveness* of the audit undertaken, and
- The *scope* of the Audit.

Therefore before making a decision on the appointment of the Internal Auditor for year end 2019/20, FERM Committee should review how effective the Interim Audit carried out by Suffolk Association of Local Councils (SALC) has been, and whether the scope needs to be widened to include anything not covered by the January Interim Audit. Given the comprehensive nature of January exercise, this may be unlikely, but *if* it is decided to appoint a new Auditor then the terms of reference will need to be clearly stated.

Set out below are the Internal Audit objectives and responsibilities as published by the SALC Internal Audit team:

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating

throughout the council, and to achieve this will adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
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Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the Annual Internal Audit Report 2019/2020 of the Annual Governance and Accountability Return 2019/2020 - Part 3
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council is in compliance
- Review the operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

Recommendation

Councillors on FERM Committee may wish to consider to what extent these objectives and responsibilities have been achieved in the recent audit, and whether the scope of the year end audit should be varied in any way.

William Grosvenor

Clerk and Executive officer to the Council

4 February 2020