



MELTON PARISH COUNCIL

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PROPOSED AMENDMENT OF FINANCIAL REGULATION 2.5 AND THE TERMS OF REFERENCE FOR FINANCE, EMPLOYMENT AND RISK MANAGEMENT (FERM) COMMITTEE TO DELEGATE THE APPOINTMENT OF THE INTERNAL AUDITOR TO FERM COMMITTEE

Background and summary

This report addresses a point raised by the Internal Auditor in his report following the internal audit for year ended 2019/20 on 10 June 2020. On page 7 of the report it reads as follows:

“On 19/06/2019 the Full Council agreed to delegate the decision on the appointment of an internal auditor to the FERM Committee (min ref 19.58.01). SALC was appointed to act as the Parish Council's Internal Auditor for an Interim Audit at a meeting of FERM Committee of 9 October 2019 (min 19.51.11).

Observation: It is a Council and not a Committee decision to appoint the Internal Auditor. The footwork may be delegated but this should be a recommendation for Full Council to adopt.”

Report

Whilst the recommendation is one which is fair and reasonable to make it is not specifically supported in the latest version of the Joint Panel on Accountability and Governance (JPAG) Practitioner's Guide (March 2020). This simply states at para. 4.8:

“It is a matter for the authority to determine how best to meet the statutory requirement for internal audit, having regard to its business needs and circumstances.”

It then goes on to state that the two key requirements in an Internal Auditor are *independence* and *competence* and sets out advice on how to find a suitable auditor and the scope of the audit itself.

However at para 4.23, The Guide does make it clear that the *results* should be reported to a Full Council meeting.

Currently the Council's Financial Regulation 2.5 states:

“The internal auditor shall be appointed by and shall carry out the work in relation to internal controls required by the council in accordance with proper practices.”

The Terms of Reference for FERM Committee include at (vii):

“Oversight of internal financial controls including Internal Audit arrangements.”

Recommendations

If the Council wishes to continue to delegate appointment of the internal auditor to FERM Committee in accordance with recent practice, then it is suggested that for clarity the following changes are made to the wording of both Financial Regulation 2.5 and Term of Reference (vii) as follows:

Financial Regulation 2.5 amended to read:

“The internal auditor shall be appointed by FERM Committee and shall carry out the work in relation to internal controls required by the council in accordance with proper practices.”

Term of Reference (vii) amended to read:

“Oversight of internal financial controls including Internal Audit arrangements, including the appointment of the Internal Auditor.”

William Grosvenor

Clerk and Executive Officer to the Council

13 July 2020