



**SHREWSBURY TOWN COUNCIL
FINANCE & GENERAL PURPOSES COMMITTEE
10th FEBRUARY 2020**

Agenda No

10ii

Responsible Officer: Andy Watkin - RFO

Effectiveness of Internal Audit

1 Purpose of Report

To appraise members on the following:

- 1.1 The Accounts and Audit (England) Regulations 2011 require there to be an annual review of the effectiveness of Internal Audit, the findings of which to be considered by a committee (the Finance and General Purposes Committee) of that Council.
- 1.2 This is not a requirement for town and parish councils but remains good practice and should be completed periodically no longer than three years and in the year of any change of internal auditor.
- 1.3 The process is also regarded as part of the wider annual review of the council's governance arrangements and production of the Annual Governance Statement.
- 1.4 The internal auditor has a different role to the external auditor who are appointed by an independent body and while there is overlap the focus is on governance and following correct procedures

2 Internal Audit

- 2.1 Regulation 6 of the Accounts and Audit (England) Regulations 2011 imposes a duty on local councils to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 2.2 Internal audit is a key component of the system of internal control. The purpose of internal audit is to review and report to the council whether its systems of financial and other internal controls over its activities and operating procedures are effective.
- 2.3 Internal audit testing of controls will be sufficient for the proper completion of the annual internal audit report (page 3 of the annual return). This will then provide an adequate level of assistance for the council to complete assertions 2, 6 and 7 in its annual governance statement (section 1 of the annual return).
- 2.4 The minimum approach to the testing of key internal controls are:
 - Proper book-keeping
 - Financial Regulations, Standing orders and payment controls
 - Risk management
 - Budgetary controls
 - Income controls
 - Petty cash procedure
 - Payroll controls



- Asset control
- Bank reconciliation
- Year–end procedures

3 Review

3.1 Areas of the review should as a minimum cover the expected standard components below:

- The scope of internal audit
- Independence
- Competence
- Relationships
- Audit planning and reporting

3.2 The review is also primarily about effectiveness not process, so the focus should be on:

- Internal audit work is planned
- Understanding the whole organisation its needs and objectives
- Be seen as a catalyst for change
- Add value and assist the organisation in achieving its objectives
- Be Forward looking
- Be challenging
- Ensure the right resources are available

3.3 If the review identifies any areas for development or change in internal audit an action plan should be produced for the council to manage the remedial process. The action plan should set out the areas of improvement required, any proposed remedial actions and people responsible for delivering improvement, and the deadlines for completions of the actions.

3.4 The review is attached

4 Action plan

4.1 No actions as new 5 year plan cycle agreed last year to incorporate extra focus on capital and expenditure in line with future spending plans

5 Recommendations

5.1 There are no areas of concern with the current internal auditors and the report be accepted, additional audit reports per plan to be presented to F&GP