



HOUGHTON REGIS TOWN COUNCIL

Internal Audit Planning, Reporting & Review Policy

Adopted: Town Council: 18th May 2011

Reviewed: 22nd September 2014

15th June 2015

3rd October 2016

9th October 2017

Background

A system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk or failure to achieve policies, aims and objectives. It thus provides a reasonable, not absolute, assurance of effectiveness. A system of prioritisation therefore pertains.

It is the responsibility of Council to determine the scope of audit, without undue influence from the internal auditor, to ensure his/her independence and that planning and reporting access is effective and direct

Legislative Framework

Regulation 4 of the Accounts and Audit Regulations 2003 requires audited bodies (which includes local authorities / parish councils) to conduct, at least annually, a review of the effectiveness of the system of internal control and to publish the results. This statement of assurance forms part of the financial statements.

The Accounts and Audit (Amendment) (England) Regulations 2006 which came into force in April 2006 clarify the 2003 Regulations and strengthen governance and accountability.

Councillors, together with the Town Clerk (the Proper Officer) are responsible to the electorate to ensure good governance within Houghton Regis Town Council. Houghton Regis Town Council is required to:

1. consider the findings of the review of systems of internal control in Regulation 4(3) of the 2003 Regulations (as amended in 2006); and
2. carry out and consider the findings of a review of the effectiveness of the system of internal audit in Regulations 6(3) and 6(4) of the 2003 Regulations (as amended in 2006);

Policy Framework

The Council's approved Standing Orders require that (*Section 18 c i*):

18 FINANCIAL CONTROLS AND PROCUREMENT

- c The council shall consider and approve financial regulations drawn up by the Responsible Financial Officer, which shall include detailed arrangements in respect of the following:*
- i. the keeping of accounting records and systems of internal controls;*

The Council's approved Financial Regulations require that (*Section 2*, Accounting and Audit, as applicable to internal audit):

2 ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)

- 2.4** *The council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Any officer or member of the council shall make available such documents and records as appear to the council to be necessary for the purpose of the audit and shall, as directed by the council, supply the RFO, internal auditor, or external auditor with such information and explanation as the council considers necessary for that purpose.*
- 2.5** *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.*
- 2.6** *The internal auditor shall:*
- be competent and independent of the financial operations of the council;*
 - report to council in writing, or in person, on a regular basis with a minimum of one annual written report during each financial year;*

- *to demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest, including those arising from family relationships; and*
- *have no involvement in the financial decision making, management or control of the council.*

2.7 Internal or external auditors may not under any circumstances:

- *perform any operational duties for the council;*
- *initiate or approve accounting transactions; or*
- *direct the activities of any council employee, except to the extent that such employees have been appropriately assigned to assist the internal auditor.*

2.8 For the avoidance of doubt, in relation to internal audit the terms ‘independent’ and ‘independence’ shall have the same meaning as is described in proper practices.

The RFO shall, without undue delay, bring to the attention of all councillors any correspondence or report from internal or external auditors.

Purpose of Internal Audit

Internal Audit is a function of management and forms part of the Council’s internal control mechanisms. It is designed to manage risk to a reasonable level rather than eliminate all risk. It thus provides a reasonable, not absolute, assurance of effectiveness.

The audit should cover the areas of ‘risk’ identified by the annual return and any additional matters Council chooses. It must be based on the financial year.

Traditionally the audit has been achieved by a *mid year interim Internal Audit and a ‘year-end’* internal audit, although there is provision to contact the internal auditor as necessary.

Planning

Legislation

Regulation 6 of the Regulations 2006 requires the Houghton Regis Town Council to maintain an adequate and effective system of internal audit of its accounting records and system of internal control in accordance with proper internal audit practices.

Policy

Internal control is set through Council’s Standing Orders and Financial Regulations which encompass administrative processes with segregation of duties, supervision and delegation of duties. It includes provision for example budget monitoring, policy and procedure adherence and update, risk assessments and management and compliance with laws and regulations. The internal controls are designed to include

measures to prevent and detect fraud and corruption, their effectiveness must be reviewed.

Internal Audit Specification

The internal audit specification is produced in draft by the Clerk (&RFO). Other relevant staff members are consulted on its content. The draft is presented to Council annually for approval. The approved document sets out the areas to be covered by the internal audit.

As a basis it should include:

- Legal basis
- Previous internal audit report
- Proper bookkeeping
- Council policy
- Risk management
- Budgetary controls
- Income controls
- Payroll controls
- Asset controls
- Bank reconciliation
- Year end procedures

Other issues may be added which reflect on previous audit reports or on any other areas of concern as noted by Members or staff.

The scope of audit is determined by Council, without undue influence from the internal auditor.

Reporting

The internal audit process is set out in the approved Internal Audit Specification. Once the internal audit has been completed and the report received by the Clerk (&RFO) the findings accompanied by an action plan are to be reported to Council.

Review

Policy

Council will review on an annual basis the following:

- Internal Audit Planning, Reporting And Review Policy
- Internal Audit Specification

Reports

Council will review as soon as reasonably practicable the following reports:

- Internal audit report and action plan
- External audit report and action plan

Annual Return

The statement of internal control is included within the Annual Return. Governance should be reviewed during the year so that the declaration may be made when the accounts are completed and signed.