

Appointment of Auditor (May 2025)

Clerk Recommendation

That council agree to appoint Mrs S Lister as Internal Auditor for the new financial year 2025/26
That council determine the level of audit required

Background

Council must be able to evidence that an Internal Auditor is independent and competent and that they have received a letter of engagement/terms.

Elmsted PC has used Mrs Lister as our internal auditor since March 2020. Mrs Lister has experience of Internal Audit and undertakes the Internal Audit for 6 other local Parish Councils.

Over recent years the governance and accounting framework has been significantly improved which has resulted in increased audit metrics. The pay scale is agreed to stay at a reasonable rate for the financial year ending 2025/26.

Further Information

The auditor has confirmed that her fees reflect the size of our council.

The budget has been set to accommodate the fees to remain similar.

There is no requirement for councils to regularly change or review auditors but the fees charged by Mrs Lister are competitive in comparison to other Internal Auditors.

Statutory Requirements

The Accounts and Audit Regulations 2015 ([legislation.gov.uk](https://www.legislation.gov.uk)) (part 2, regulation 5) practitioners-guide-2021-15.pdf – this is the document that lays out our required financial processes.

Full council sign of the annual governance statement and have to be content that they comply with the following assertions which are laid out in the above guide.

Assertion 6 — Internal Audit

We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

In order to warrant a positive response to this assertion, the authority needs to have taken the following actions:

1.34 Internal audit — The authority needs to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes considering internal auditing guidance for smaller authorities.

1.35 Provision of information — The authority needs to ensure it has taken all necessary steps to facilitate the work of those conducting the internal audit, including making available all relevant documents and records and supplying any information or explanations required.
Selecting and appointing an internal audit provider

4.6. In addition to ensuring the appointed internal auditor has relevant knowledge of the public sector, there are two key principles an authority must follow in appointing an internal audit provider:

independence and competence.

4.7. There are various ways for an authority to source an internal audit service, for example:

- Purchasing an internal audit service from a local firm or specialist internal audit practice with an understanding of the local government legal framework
- Purchasing an internal audit service from a principal local authority
- Engaging a competent internal auditor with sufficient organisational independence to undertake the role
- Appointing a local individual or a member of a panel of individuals administered by a local association affiliated to NALC, SLCC or ADA.

4.8. There is no requirement for a person providing the internal audit role to be professionally qualified, however essential competencies to be sought from any internal audit service should include:

- understanding basic book-keeping and accounting processes; where an authority exceeds the £200,000 threshold, this understanding must include accrual accounting and balance sheets
- understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management;
- awareness of relevant principles and practice of financial and other risk management
- understanding proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities, as set out in Sections 1 and 3 of this guide (knowledge of which is a prerequisite)
- awareness of the most recent model Standing Orders and model Financial Regulations as published by NALC and how they are adopted by authorities
- awareness of relevance of VAT and PAYE/NIC rules as applied to the authority
- for larger authorities, a clear understanding of the risks and controls associated with 'cut off' procedures, particularly with respect to revenue generating activities.