

### Review of effectiveness of the Town Council's Internal Audit Process

Extract from Governance and Accountability for Smaller Authorities in England A Practitioners' Guide to Proper Practices March 2019

#### Reviewing internal audit

4.21. Authorities should, at least annually, carry out a review of the effectiveness of their overall internal audit arrangements. Any review should balance the authority's internal audit needs and usage. It should be designed to provide sufficient assurance for the authority that standards are being met and that the work of internal audit is effective. Authorities judge the extent and scope of the review by reference to their own individual circumstances.

4.22. The review should be designed to assure the authority that it has maintained the standards of an adequate and effective internal audit of its risk management, control 37 and governance processes. It should include, as a minimum, making an assessment of each of the following:

- the scope of internal audit;
- independence;
- competence;
- relationships with the clerk and the authority;
- audit planning and reporting.

4.23. The review should be undertaken by the authority. It cannot be undertaken by the external auditor or as part of the external auditor's review of the Annual Governance and Accountability Return, nor can it be delegated to an officer. Clearly it cannot be undertaken by internal audit, although it is good practice to seek their involvement in the process. Authorities may wish to set up a small working party to carry out the review or utilise an existing committee. Whatever approach is followed, the results should be reported to a full meeting of the authority.

4.24. There is no single approach to review of internal audit that will suit all authorities. Much will depend upon the size of the authority and arrangements it already has in place for conducting the wider review of its system of internal control and risk management generally. The areas described above in paragraph 4.22 will normally be the starting point, but the effectiveness of internal audit should not be judged solely by the extent of compliance with expected standards. The review is primarily about effectiveness, not process. In essence, the focus of this review should be on the quality of delivery of the internal audit service, i.e. reliable assurance about the authority's internal controls and its management of risk.

4.25. As with any review, it should be evidence based. Wherever possible this should be gathered throughout the year. Sources may include:

- previous review and action plan;
  - annual report by internal audit;
- other reports from internal audit, including internal audit plan, monitoring reports, and the results of any investigations;
- any reports by the external auditor;
- the results of any other external reviews of internal control.

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

<b>Heading</b>	<b>Question</b>	<b>Suggested Answer</b>	<b>Detail</b>
<b>Scope of Internal Audit</b>	<b>Has the scope of the internal audit been discussed with the internal auditor to ensure that the audit covers all the relevant risk areas?</b>	<b>Yes</b>	<b>Covered as part of Audit plan last reviewed Jan 2021</b>
<b>Independence</b>	<b>Is the internal auditor sufficiently independent, unbiased and objective?</b>	<b>Yes</b>	
<b>Competence</b>	<b>Does the internal auditor have sufficient knowledge to be able to carry out the audit?</b>	<b>Yes</b>	<b>Experienced auditor quotes sought from 4 internal auditors in October 2019</b>
<b>Relationships</b>	<b>Are the relevant responsibilities of members, Clerk/RFO and internal auditor defined?</b>	<b>Yes</b>	
<b>Planning and reproving</b>	<b>Is the body aware of a timetable of when the internal audit or audits will take place and when a report, if any, will be reported?</b>	<b>Yes</b>	<b>Council follows the guidelines JPAG Governance and Accountability for Smaller Authorities in England 2021</b>
<b>Review of 2020-21 process</b>	<b>Was the Council satisfied with the presentation of report and action plan of items arising from the 2020-21 internal audit?</b>		