Appointment of Internal Auditor

Thurston Parish Council

Paper: Internal Auditor - Agenda Item 5d
Reason: To review the terms of reference and consider the appointment of the internal auditor for the year ending 31 March 2027
Period covered: 1 April 2026 to 31 March 2027
Presented to Council: Policy and Resources Committee
Date: 11 November 2026
Author: Responsible Financial Officer (RFO)

Terms of Reference

The Council as a whole is responsible in law for ensuring that its financial management is adequate and effective.

Similarly, the Council must ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and the arrangements for the management of risk. Internal Audit is a key component within that overall system of internal control.

The purpose of the Internal Audit is to review whether the systems of financial control and other controls over the activities of the Council are adequate, effective, and in line with current regulations.

Whilst Internal Audit would not actively seek evidence of fraud, corruption, error or mistakes, it can assist the Council in its responsibility for the prevention and detection of such occurrences.

The Internal Auditor being proposed is deemed to be independent of the operations (financial control/management) of the Council and competent in the understanding of the law as applicable to Local Councils, of accounting and basic PAYE and VAT requirements. Any change in personal circumstances that may cause a question over the independence requirement must be reported to the Council.

The Internal Auditor will apply the standards stipulated by the SAPPP Practitioner's Guide 2025 'Governance and Accountability for Smaller Authorities in England' and will carry out under the direction and management of the Council (or as may be delegated to a Committee or to the Clerk) the following duties:

a) To review the accounting and internal control systems in place (it is the Council's responsibility to establish adequate and effective internal controls and act upon any recommendations put forward by the Internal Auditor in this respect).

b) To provide an Internal Audit Report to the Council in writing on the results of the tests of the operation of the internal control systems.

c) To carry out reviews and tests of the books, accounts, transactions and vouchers on a sample basis in order to arrive at an opinion on the systems in place.

d) To complete the Annual Internal Audit Report within the Annual Governance and Accountability Return (AGAR) in respect of the financial year under review.

Internal Audit testing of internal controls will be sufficient for the proper completion of the Annual Internal Audit Report, which should provide an adequate level of assurance for the Council to complete the Annual Governance Statement within the AGAR.

In completing the Annual Internal Audit Report, the Internal Auditor will have planned and carried out the work necessary to give the assurances called for. The key control tests in the AGAR require an adequate and appropriate level of Internal Audit coverage; additional testing and reporting can be tailored to local circumstances.

Internal Audit work always requires the application of judgement and, accordingly, the scope and the degree and frequency of testing should reflect and be proportionate to the likelihood of fraud, error or misstatement that could occur.

Testing should be related to the size and level of business activity of the Council.

Proposal:

To agree to recommend to full Council the internal audit terms of reference and audit plan from Mr Trevor Brown CPFA for Thurston Parish Council for the year ending 31 March 2027 and to recommend to full council that Mr Brown be retained for internal audit services at a cost of £650 to include travelling costs.

It is to be noted that this recommendation confirms that whilst there is no proposal to change the current auditor who first carried out the audit in 2016 – 2017, an annual review of the effectiveness of the internal audit service has been carried out by the Policy and Resources Committee on behalf of the Council.

Members should also note that much work would be undertaken prior to the day of the visit using information previously supplied by the RFO including data available to view online. This will then enable the completion of the audit and the signing of the Internal Audit Report on the AGAR on the day of the visit to the council offices.