HORNDEAN PARISH COUNCIL
SCOPE OF INTERNAL AUDIT

The scope of the internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes. By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations 2015, and applying the approach to internal audit testing, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

In accordance with DCLG Public Sector Internal Audit Standards, the auditor's report contains recommendations on identified corporate risks. Additional information, explanation, evidence, and examples as to where any risk is identified. Internal auditors must identify sufficient, reliable, relevant, and useful information and ensure sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor.

The internal audit activity must evaluate and contribute to the improvement of the Council's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact, all of which my audit report has undertaken.

NB: *It would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve effectiveness and efficiency of the activities and operating procedures under the Council's control. Managing the Council's internal controls should be a day-to-day function of the staff and councillors and not left for internal audit. (Source: Governance and Accountability for Local Councils-A Practitioners' Guide – March 2020)*

Accounts and Audit Regulations (SI 2006 No. 564) requires all local Councils to now review the effectiveness of the system of internal audit at least on an annual basis.

Independence

In accordance with DCLG Public Sector Internal Audit Standards, Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements. The internal audit activity must be independent and internal auditors must be objective in performing their work. The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

Council members should be clear on their own responsibilities for the "protection of the public purse" and within the internal audit framework. The Council has a duty to consider the annual internal audit report and to demonstrate that consideration by inclusion in the minutes. Each item mentioned in the report should be fully addressed. There may be a need for councillor/Clerk/RFO training to ensure that all members fully understand this role and budget provision should be made where necessary.

Audit Planning and Reporting

The internal auditor is appointed by and reports to the Council not the Clerk or RFO.

The Council should properly take account of the corporate risk i.e., controls and procedures within the Council which minimise the risk of the body not being able to function or carry out what it sets out to do.

The internal audit usually comprises 2 parts done at different times of the year. The interim audit is usually done part way through the year and is an audit of the Councils processes and procedures.

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes and must evaluate risk exposures relating to the Council's governance, operations and information systems regarding the: achievement of the Council's strategic objectives reliability and integrity of financial and operational information effectiveness and efficiency of operations and programmes safeguarding of assets, and compliance with laws, regulations, policies, procedures and contracts.

During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. The internal audit activity must assist the Council in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

The full internal audit is undertaken after completion of the year-end, so that balances within the accounts may be verified, the auditor will submit written reports to the Council after the interim and final audit.

During the internal audit, the following will be checked:

- Proper Accounting Procedures
- Cash book [in electronic or other formats]
- Financial Regulations
- Standing Orders
- Payment Controls
    - Estimates, quotes, tenders
    - Authority by the Council
    - Legal Powers
    - Approved Invoices
    - VAT
    - S137 Expenditure
- Risk Management including insurance
- Budgetary Controls
- Income controls
- Payroll and employee rights compliance
- Asset Control
- Bank Reconciliation
- Year End
- Internal Control, Governance and Safeguarding Policies of the Council

Presented by Becky White, Clerk & Interim RFO.
Adopted 9th March 2026. Review Date: Jan/Feb 2027