

PARISH AND TOWN COUNCIL AUDIT REQUIREMENTS 2014

Barrowford Parish Council

In 2008 a new Practitioners Guide was issued in respect of the management of the financial aspects of local councils. Whilst it did include some changes in the main it followed the 2003 original version but has seemingly resulted in more emphasis being placed on Internal Audit and the requirement of Local Councils to follow the correct procedures in appointing the Internal Auditor, ensuring there are defined terms of reference, undertaking risk assessments, completing asset registers and reviewing the effectiveness of both the internal financial controls and internal audit itself. These requirements have been highlighted recently where some local councils in this area have not met the requirements and have as a result received a qualified external audit certificate which means they have now to put things right.

After much investigation and clarification the following guidelines are considered to be the appropriate steps to properly complete audit requirements in these areas although reference to the Practitioners Guide 2008 is essential in meeting the required governance responsibilities and should be read and understood by the appropriate Responsible Financial Officers of local councils.

- The Internal Auditor must be considered by the Council to be competent and be formally appointed by a Resolution of the Council (before financial year end)
- A Letter of Appointment should be issued setting out the following all of which need to be approved by Resolution of the Council. (before financial year end)
 1. The Agreed Fee
 2. The Terms of Reference
 3. The Internal Control and Suggested Testing Methodology
- A formal written report should be received from the Internal Auditor after his work is completed in compliance with (3) above and this should be presented to the Council and any recommendations considered. (This is in addition to the signing of the Annual Return)
- The Council must review the following documents and pass a resolution each year to confirm that they are up to date and appropriate (before year end)
 1. The Councils Risk Management Policy Statement
 2. The Councils Risk Management Register
 3. The Councils Asset Register
- The Council must complete an 'Effectiveness of Internal Audit and Internal Control document showing that they have considered financial procedures, audit requirements and risk and are satisfied with the arrangements that are in place. This must be recorded by Resolution of the Council and specifically cover The Scope of Internal Audit, Independence of Internal Audit, Competence of Internal Audit, Relationships and Audit Planning and Reporting.