



**NASH MILLS**  
PARISH COUNCIL

## Clerk Report – Appointment of Auditor (Jan 2022)

### Clerk Recommendation

- That council agree to appoint Etaerio as Internal Auditor for the new financial year 2022/23
- That council determine the level of audit required (any consideration of the lower scale should be dependent on a nominated Cllrs ability to regularly commit to undertaking additional checks, in addition to our financial regulations and risk management throughout the financial year).

### Background

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

NMPC has used Etaerio as our internal auditor for a number of years. The principal was previously the DBC Officer with responsibility for audit until the service was disbanded by DBC and therefore has extensive, sector appropriate knowledge.

Over recent years the governance and accounting framework has been significantly improved which has resulted in increased audit metrics. There has been no recent increase in pay scale and therefore there is a significant change this year.

### Further Information

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

The budget has been set to accommodate the higher scale detailed in the auditors' notes previously circulated.

There is no requirement for councils to regularly change or review auditors although it would be prudent to reassess this is good time for the financial year 2023/24, in particular as the clerk has not undertaken this process since being in post and will then be in a position to review recommendations from peers once the revised framework has commenced and in advance of budget setting.

### Statutory Requirements

[The Accounts and Audit Regulations 2015 \(legislation.gov.uk\) \(part 2, regulation 5\)](https://legislation.gov.uk)

[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.*

#### Previously circulated and not appended

Etaerio Fees Letter

Etaerio Service Details

*Nikki Bugden Clerk to the Council 20<sup>th</sup> December 2021*