

WATERBEACH PARISH COUNCIL

REPORT FOR PARISH COUNCIL MEETING ON 2 FEBRUARY 2016 FROM LIZ JONES, CLERK

INTERNAL AUDITORS

As councillors are aware, the internal auditor for 2014-15 advised us that she no longer wished to carry out that function in future years so I have been making enquiries to find a replacement.

I contacted 10 potential auditors whose contact details I obtained from other councils and county associations. As well as quoting for the cost I asked them to explain how they saw the role of internal auditor and what services they would provide for the price quoted.

Three advised that they were too busy to take on more clients, four did not respond and we received three quotations. All three have provided details of referees.

Option 1

On the basis of the Annual Return and accounts for the year ended 31 March 2015, our suggested fee is £525.00 + VAT.

This would cover our attending at the Council offices on 2 occasions, in January/ February 2016, to deal with the greater part of the reviewing of systems and controls, with the second visit in late May or early June, when the 2015-16 accounts and Annual Return had been prepared. Our fee would include travelling and normal out of pocket expenses.

Our fee is based on the assumption that nothing came to our notice which required further work on our part. This would include complaints from Parishioners and ad-hoc projects on the Council's instructions. We would not carry out any such work without first receiving the Council's permission to do so. At the outset of any such work we would give an estimate of the likely cost

Our view of the role of the Internal Auditor to a Parish Council is:

1. An independent and objective view on the core activities of the Council.
2. Bringing appropriate technical knowledge to assess the major risks to which the Council is exposed on a day to day basis.
3. An understanding of the major local issues (i.e. the demand for low-cost housing) and their potential future impact on the Council.
4. To identify areas of potential weakness in the systems of internal control.
5. To identify opportunities for the Council to add value to the services that it provides to the community that it serves.

Our work would be tailored to examine the areas of greatest activity and highest significant potential risk. We would carry out the greater of the substantive work at the first visit. This would enable us to identify any significant problems and bring them to the attention of the Council before the end of the financial year. At the second visit we would complete our substantive testing and review Sections 1 and 2 of the Annual Return, in order that we could complete Section 4 of the Annual Return before the Council meeting at which the Annual Return was signed, prior to submission to the External Auditors.

Option 2

We are fully trained to complete this service in line with the recommendations within the "Governance & Accountability in Local Councils Practitioners Guide."

In line with National policy we would expect to make two visits annually - one at mid year to audit Council procedures by spot checking agendas and minutes together with all mandatory policies including, employment, insurance and risk management of assets. The management procedures for allotments, playgrounds, village halls, cemeteries, etc would also be checked where appropriate. The second visit would be timed for when the Council has approved the year end accounts and completed their sections of the Annual Return Form. This visit would concentrate on all financial management issues before signing the relevant section of the Annual Return Form.

Our charge for this financial year is £37.50 per hour plus 45p per mile travel. I would expect each visit to normally take up to three hours although, depending on what assets and projects the Council is responsible for, it can take longer to familiarise myself in the first year of appointment. There is then a charge of (nominally) one hour to write up a comprehensive report to the Chairman on the checks undertaken and what was found.

Option 3

1. I would plan to address 4 key points during the internal audit work:
 - a. Confirm that any assets recorded in the financial statements are 'real' and can be substantiated by independent third parties
 - b. Review the expenditure and income to ensure that spending is properly authorised, with any unusual or large items explained, and is all the income that could be expected properly accounted for.
 - c. Review the activities of the council to assess whether the Council's risk management processes are robust
 - d. Be a source of professional help & guidance to the Clerk / Treasurer
2. I would expect to spend two days working locally on the audit but would be available by telephone and email throughout the year

My fee for this work would be £475 plus a contribution towards my travel expenses. I would propose that any travel expenses be limited to an 80 mile round trip at your standard mileage rate. I would not expect to do this more than twice during the year.

Likely costs:

Option 1	£525
Option 2	£310 approx
Option 3	£547 approx

Whilst option 2 would be the lowest cost, I would recommend Option 1 as this is from a larger firm with greater resources and the higher cost is justified by the more extensive scope of the work defined including assistance with preparation for the external audit.

It is important that this decision be made now so that a first visit can be booked as soon as possible.