



Saxilby with Ingleby Parish Council

Non-confidential

Internal Auditor Recommendation to Full Council

Report to: Finance and Risk Committee

Report by: Clerk

Power/duty which decision falls under:

- Local Audit and Accountability Act 2014
- Accounts and Audit Regulations 2015 (as amended), Reg. 5(1): requirement for councils to maintain adequate internal audit arrangements.
- Local Government Act 1972, s.151 (proper administration of financial affairs).
- JPAG Practitioners' Guide 2024: defines scope and standards for internal audit for local councils.

Which council objective(s) it falls under:

- N/A governance

Public Sector Equality Duty

Consider how policies/decisions affect those protected under the Equality Act)

- N/A governance

Duty to conserve and enhance biodiversity

- N/A governance

Consideration on carbon reduction:

- Some work can be undertaken remotely due to using cloud-based systems, thus reducing travel and associated carbon footprint.

Does the report consider any new activity? If 'Yes', has a risk assessment, including risk management proposals, been included for consideration and adoption by the council?
(Financial Regulation 17b)

No.

Consideration of risk management in relation to the proposal¹

It is impossible to list every risk faced by a local council. Risk, in the general sense, means the likelihood of an event happening, and the severity of the negative consequences. The insurance industry regards risk as representing loss or damage. Risk always involves uncertainty.

Risk	Likelihood	Impact	Mitigation / Control
Failure to meet statutory internal audit requirements	Low	High	Commissioning the LALC Internal Audit Service ensures compliance with the Accounts and Audit Regulations.
Inadequate financial oversight	Low	High	Current layered checking process (officer, Clerk, councillors, committee) and cloud-based audit trail provide strong control.
Excessive audit cost or duplication of effort	Medium	Medium	Selecting Option 2 balances frequency and cost. Monitoring through the committee ensures proportionality.
Change of auditor leading to inconsistency	Low	Medium	Two-year agreement provides continuity.

¹Risk areas to consider - strategic/operational, likelihood/impact, add to risk register? Any contingency planning needed?

REPORT

I. Purpose of the Report

To consider commissioning the an Internal Audit Service from the Lincolnshire Association of Local Councils (LALC) and to determine which service level option to recommend.

2. Background Information

The Lincolnshire Association of Local Councils (LALC) has a specialist Internal Audit (IA) Service to support member councils in meeting statutory and best-practice audit requirements.

Securing suitably qualified, independent, and knowledgeable internal auditors can be challenging for parish and town councils, and this service offers a practical and sector-specific solution.

In recent years, the council's internal auditor has attended site monthly, undertaking:

1. Internal audit work in-line with best practice and the annual audit checklist (based on the LALC template), and
2. Full transaction checks each month (beyond standard internal audit practice).

No other local councils signed up to the LALC IA service have auditors attending monthly or performing full transaction checks.

Given the current robust financial controls in place—

- All transactions are entered by an officer, checked by the clerk, reviewed by two councillors, and scrutinised by the Finance and Risk Committee against established governance arrangements;
- Monthly financial reports, including all transactions, are published online; and
- The council's use of cloud-based financial software with direct bank feeds ensures transactions are matched to income and expenditure, and flags any discrepancies

...it is considered that sufficient oversight exists to protect the council's financial integrity without the need for monthly on-site audit checks, which is not in-line with sector practice.

3. Internal Audit Service Options (as proposed by LALC)

Option	Description	Estimated Time	Cost (excluding bolt-ons)
Option 1	“An annual intermediate audit carried out in the Autumn/Winter months comprising of full governance checks against LALC’s auditor checklist with 6 financial spot checks and year end follow up and completion of the Internal Auditors section of the AGAR. For Saxilby with an electorate of 3747 the cost would be £335 plus £10 for each extra bolt on, eg allotments, burials, village hall etc and estimated to take 8 hours.”	8 hours	£335 + £10 per bolt-on (e.g. allotments, burials, village hall)
Option 2	“Intermediate governance checks, including looking at 6 monthly reconciliations and spot checks with a further 6 months reconciliations and spot checks at the end of the FY. This would be estimated to take the auditor an extra 2 hours, so we will offer the next bracket of £390 plus £10 for each extra bolt on.”	10 hours	£390 + £10 per bolt-on

If audits take longer than estimated (8–10 hours), LALC reserves the right to review the agreement.

A two-year agreement is available, fixing the fee and ensuring continuity with the same auditor for the duration.

4. Considerations

- Compliance: The council must maintain an adequate and effective system of internal control and internal audit under Accounts and Audit Regulations 2015, Regulation 5(1).
- Good Governance: The LALC IA service operates using sector-specific standards, ensuring consistent quality and compliance with NALC/JPAG “Practitioners’ Guide.”
- Value for Money: Option 2 provides enhanced assurance for a modest increase in cost.
- Continuity: The two-year agreement offers stability in fee and personnel.

5. Financial Implications

- Estimated annual cost of £390 (plus bolt-ons as applicable)
- Provision can be met within the existing audit budget line (310/4640).

RECOMMENDATION(S):

That the Finance and Risk Committee recommends to Full Council to:

1. **Commission the Internal Audit Service** from the Lincolnshire Association of Local Councils (LALC).
2. **Select Option 2** – intermediate governance checks with 6-monthly reconciliations and spot checks, providing enhanced assurance.
3. **Enter into a two-year agreement** with LALC to secure fee stability and auditor continuity.