



Internal Auditor independence

Report by: Clerk

Date: 14th June 2021

Report to: Finance Committee 06/2021

The Practitioner's Guide¹ gives best practice guidance on internal audit for smaller authorities, which Parish and Town Councils fall under.

The Guide specifies that an Internal Auditor should have relevant knowledge of the public sector, must be independent and competent.

When engaging a competent independent Internal Auditor (as opposed to a specialist procured from a local practice, via the principal authority or via a body such as LALC), it is recommended they have "*sufficient organisational independence to undertake the role*".

Independence is defined as "*the absence of any actual or perceived conflict of interest. It means that whoever carries out the internal audit role does not have any involvement in, or responsibility for, the financial decision making, management or control of the authority, or for the financial controls and procedures*".

"A current or recent authority member, who cannot demonstrate independence from decisions in the year to be audited, cannot be its internal auditor. Similarly, it would not be appropriate for any individual or firm with a personal connection to a member or officer of the authority to be appointed. Conflicts of interest must be avoided, such as in cases where an external provider of accounting software or services to the authority, also offers internal audit services through an associate company, firm or individual."

"There is no requirement to rotate auditors but the independence of the appointed person of firm should be reviewed every year with regard to; personal independence, financial independence, and professional independence."

Our current Internal Auditor:

- has many years of experience in the banking sector
- has been the Internal Auditor for Welton Parish Council for a number of years
- has been our Internal Auditor for the last 3 years (agreed at Finance Committee, June 2018)
- has no involvement in, or responsibility for, the financial decisions, management, controls or procedures for this Council
- has no connection to this Council or its members
- is known to the Clerk through a family connection, however there is no conflicting relationship which would impact their independence as an auditor

¹ Practitioners' Guide March 2021 – Joint Panel on Accountability and Governance (JPAG)



RECOMMENDATION(S):

- **Committee confirms that the Internal Auditor meets the independence requirements**