



External & Internal Audit Policy

1. Principles

- 1.1 Diss Town Council, under section 3 of the Accounts and Audit (England) Regulations 2015, must establish a robust internal control system to facilitate effective functions, achieve objectives, and ensure sound financial and operational management, including risk management.**

Internal Audit

- 1.2 Smaller authorities, as per Regulation 5(1) of the Accounts and Audit Regulations 2015, must conduct regular internal audits, aligning with public sector internal auditing standards, to assess the effectiveness of risk management, control, and governance processes.
- 1.3 Internal audit, a vital part of the internal control system, aims to assess the effectiveness of a council's financial and internal controls. It must be independent, with auditors competent to meet the council's business needs.
- 1.4 Internal audit entails periodic independent reviews of a council's internal controls, providing assurance reports to enhance efficiency and effectiveness in controlled activities and procedures.

External Audit

- 1.5 Parish and Town Councils in the UK are required to undergo external audits to ensure transparency, accountability, and compliance with financial regulations. The legislation governing this process is primarily outlined in the The Accounts and Audit Regulations 2024.
- 1.6 The external auditor is independently appointed and is currently PKF Littlejohn LLP. The external auditor examines the Annual Return and other documents relating to Diss Town Council's internal controls which are specifically requested to give them a limited assurance.

2. Practice

- 2.1 It's recommended to conduct two internal audits in the financial year to ensure the ongoing adequacy of internal controls.
- 2.2 Councils should tailor internal audits to their needs, size, and circumstances.
- 2.3 Councils, based on complexity, should define control objectives in standing orders and financial regulations. The audit scope widens with increased organizational complexity.
- 2.4 Councils determine the internal audit's necessary scope and extent, ensuring it aligns with their specific requirements.
- 2.5 Regardless of procurement, local councils must adhere to two key principles in establishing their internal audit: independence and competence.
- 2.6 Independence in internal audit means avoiding involvement in financial decision-making and refraining from offering advice on financial matters.

- 2.7 Essential competencies for internal auditors include basic bookkeeping, understanding internal audit roles, awareness of risk management, and comprehension of accounting requirements within the legal framework.

3. Scope

- 3.1 Internal audit covers the entire spectrum of the council's activities, ensuring policy implementation, upholding values, legal compliance, process adherence, accurate financial information, and efficient resource management.
- 3.2 The audit scope may expand based on identified weaknesses, including investigations, executive committee requests, and additional work on planned activities.

4. Roles and responsibilities

Diss Town Council

- 4.1 To fulfil internal audit responsibilities, Diss Town Council (DTC) conducts annual reviews of its internal control systems, appoints an independent and competent internal auditor, and ensures proportionality to the Council's size and complexity.
- 4.2 The Town Council provides the internal auditor access to the necessary documents and personnel for effective audits.

Internal Auditor

- 4.3 The Internal Auditor conducts at least two audits per financial year, providing assurance reports to enhance the Council's controlled activities and procedures.
- 4.4 If unable to complete any section in the Annual Return, the Internal Auditor provides an explanation.
- 4.5 Internal Audit has unrestricted access to review financial and officer controls, compliance with policies, safeguarding of assets, reliability of financial information, integrity of computer systems, risk management, corporate governance, and identified areas for improvement.
- 4.6 The Internal Auditor presents reports to the Town Council summarizing work, significant findings, agreed actions, and recommendations after each audit

Terms of Engagement

- 4.7 Internal audit engagements are governed by an appointment letter covering roles and responsibilities, audit planning, terms of reference, reporting requirements, assurances on independence and competence, access to information, engagement period, remuneration, and other relevant matters