INTERNAL AUDIT PROVISION – APPROVAL OF THE 2026/27 LETTER OF ENGAGEMENT AND THE 2026/27 TO 2028/29 INTERNAL AUDIT PLAN

AGENDA ITEM NO. 11

MEETING:	**POLICY AND RESOURCES COMMITTEE**
DATE:	**9TH SEPTEMBER 2026**
REPORT BY:	**FINANCE MANAGER**

1.0 Purpose of the Report

1.1 The purpose of this report is to provide an update to Members on the Council's new Internal Audit provision, following the appointment of a new Internal Audit provider with effect from 1st April 2026, and asks Members to approve the Letter of Engagement for the 2026/27 financial year and the draft three-year Internal Audit Plan for 2026/27 to 2028/29.

2.0 Background to the Report

2.1 The provision of an Internal Audit function by the Council is a statutory requirement of the Accounts and Audit Regulations 2015, which requires the Council to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes.

2.2 Internal Audit therefore provides the Council with assurance over its risk management, governance and internal control arrangements, including the prevention and detection of fraud.

2.3 Members will recall that a detailed report regarding the Council's Internal Audit provision was presented to Full Council on 11th March 2026 and this report is attached at Appendix 1.

2.4 This report advised of the resignation of the previous Internal Auditor due to ill health and highlighted the need to source alternative internal audit provision and appoint a new provider ahead of the 2026/27 financial year.

2.5 The Finance Manager highlighted the various options considered, and the difficulties presented by the national shortage of internal auditors and requested that Members authorise officers to engage with a private sector audit company, with a view to entering into negotiations with the company to provide an internal audit service for the 2026/27 financial year.

2.6 It was agreed that:

"The Town Clerk and Finance Manager be authorised to engage with the identified private sector audit company with a view to entering into negotiations with the company to provide an internal audit service for the 2026/27 financial year as set out in this report, on the basis of 27 audit days, within the budget set by the Council, and with a formal service level agreement / letter of engagement being drawn up and that this arrangement be reviewed after one year".

3.0 Current Situation and Matters for Consideration

3.1 Officers have subsequently engaged with representatives from the private sector audit company; Clive Owen LLP, and agreed the arrangements for the 2026/27 audit on the basis of an Internal Audit Plan, comprising 27 days, at the agreed (and budgeted) cost of £20,250 per year.

3.2 A Letter of Engagement, including Scope of Assignment and Internal Assurance Document, has been received from Clive Owen and signed by the Town Clerk on behalf of the Council. This is attached at Appendix 2 and Members are requested to formally receive and approve this as is required under the non-statutory guidance for internal audit for town and parish councils, set out in Section 4 of the 'Governance and Accountability Practitioners' Guide'.

3.3 Detailed discussions have been held with representatives from Clive Owen LLP regarding the planned programme of work both for the current 2026/27 financial year, and for the following two years 2027/28 and 2028/29, should the arrangement be extended.

3.4 A three-year Internal Audit Plan covering the 2026/27 to 2028/29 financial years has been agreed and is attached at Appendix 3.

3.5 As previously agreed the plan provides for 27 audit days in each financial year and sets out the proposed programme of work across the Council.

3.6 The proposed programme includes annual coverage of the Council's key financial systems, including tendering and procurement, accounts receivable and payable, cash control and banking, year-end processes, asset management, VAT, treasury management, payroll, budget setting and budgetary control, insurance, donations and grants.

3.7 The plan also provides for rotational reviews of operational service areas including the sports complex, bar and catering, golf complex, football pitches, community events, allotments, cemeteries, works department and pre-schools, together with corporate management, and also includes time for preparing reports for the Audit, Risk and GDPR Sub Committee.

3.8 The planned programme of work has been developed taking into account the reduced number of audit days available and focussed on those areas with the greatest degree of internal control risk. The plan therefore allocates more coverage to areas with high levels of income, stocks, purchase ordering etc and the core financial systems such as payroll, creditors and debtors.

3.9 More audit days have therefore been allocated to the key financial systems and service areas such as the sports complex, golf complex, and works department, with less audit days and less frequent coverage in lower risk areas such as the cemeteries, allotments and football pitches.

3.10 The proposed three-year plan provides a structured programme of assurance across the Council within the agreed 27-day annual internal audit provision. The programme will enable key financial, operational and governance areas to be reviewed on an annual or rotational basis over the three-year period.

3.11 Members are requested to receive and approve the 2026/27 to 2028/29 draft Internal Audit Plan.

3.12 The first Internal Assurance Review visit by Clive Owen LLP took place between Monday 20th July and Friday 24th July 2026, and covered the following areas:

1. *Oak Leaf Golf Complex (Income Collection, Cash Control and Banking, Stock Ordering, Management and Control)*
2. *Accounts Receivable (Debtors)*
3. *Accounts Payable (Creditors)*
4. *Assets, Equipment and Asset Management*
5. *Insurance*

3.13 The audit work undertaken covered the period from 1st April 2026 to the date of the visit.

3.14 A draft Internal Assurance Report has been received from Clive Owen in relation to this audit visit and is being reviewed by officers. No major issues have been identified but a number of recommendations to improve internal controls have been made. This report will be reported to the Audit, Risk and GDPR sub-Committee in due course.

4.0 Policy Implications

4.1 This report will assist in the delivery of the Council's Strategic Aims 1 and 2:–

"To provide good quality governance and management of the Council"

"To manage the Council's finances and assets in a responsible manner".

5.0 Staffing Implications

5.1 Council officers and relevant staff will be required to assist the internal auditors with audit work and provide information and documentation as required. Any training requirements arising from the internal audit recommendations will be addressed by management and rolled out to staff.

6.0 Financial Implications

6.1 The cost of the Council's Internal Audit provision is £20,250 per annum, and is based on 27 audit days per year. Budget provision has been made within the Finance Section Budget and continues to be provided for in subsequent years within the Medium-Term Financial Plan.

7.0 Crime and Disorder Implications

7.1 None.

8.0 Equal Opportunities Implications

8.1 None.

9.0 Environment, Biodiversity and Climate Change Implications

9.1 None.

10.0 Risk Assessment

10.1 The provision of an effective Internal Audit function is an important element of the Council's risk management, governance and internal control arrangements. The initial 2026/27 Internal Audit work identified no high-risk findings, with recommendations made to strengthen existing controls, particularly in relation to Golf Complex stock management.

11.0 General Data Protection Regulations (GDPR)

11.1 Is any personal or sensitive data required for this proposal which may have any implications for GDPR? **NO**

12.0 Recommendations

12.1 It is recommended that Members:

a) Receive the report.
b) Note the current Internal Audit arrangements following the appointment of Clive Owen LLP as the Council's Internal Audit provider with effect from 1st April 2026.
c) Approve the Letter of Engagement, including Scope of Assignment and Internal Assurance Document, attached at Appendix 2, as is required under the non-statutory guidance for internal audit for town and parish councils, set out in the 'Governance and Accountability Practitioners' Guide'.
d) Approve the proposed three-year Internal Audit Plan attached at Appendix 3, covering the 2026/27 to 2028/29 financial years, and providing for 27 internal audit days per annum.
e) Note that progress against the Internal Audit Plan and the draft Internal Assurance Report relating to the first Internal Audit visit during July will be reported to the Audit, Risk and GDPR Sub-Committee in due course, once the report and recommendations have been reviewed by officers.