

# Internal audit 2025-26

## Non-confidential

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Report to: Parish Council 07/2025

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In September 2022, council resolved to use the LALC internal audit service for financial year 2022-23. Prior to that, a local accountant had been used, and only the council's finances audited.

In 2023 and 2024, council agreed to continue with the LALC internal audit service for financial years 2023-24 and 2024-25 respectively.

The internal audit requirement for local councils has expanded in recent years to cover far more than just a financial audit. The Practitioner's Guide<sup>1</sup> sets out the best practice recommendations for internal audit in order to meet to legal requirements of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015<sup>2</sup>.

The Practitioners' Guide requires that the appointed internal auditor has relevant knowledge of the public sector and must meet the criteria of independence and competence:

*There is no requirement for a person providing the internal audit role to be professionally qualified, however essential competencies to be sought from any internal audit service should include:*

- *understanding basic book-keeping and accounting processes; where an authority exceeds the £200,000 threshold, this understanding must include accrual accounting and balance sheets*
- *understanding the role of internal audit in reviewing systems rather than undertaking detailed checks that are more appropriately the responsibility of management*
- *awareness of relevant principles and practice of financial and other risk management*
- *understanding proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities, as set out in Sections 1 and 3 of this guide (knowledge of which is a prerequisite)*
- *awareness of the most recent model Standing Orders and model Financial Regulations as published by NALC and how they are adopted by authorities*

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<sup>1</sup> Practitioners' Guide – Governance and accountability for smaller authorities in England, jointly published by the Smaller Authorities Proper Practices Panel (SAPPP) with NALC, SLCC and ADA.

<sup>2</sup> This requires smaller authorities to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

- *awareness of the relevance of VAT and PAYE/NIC rules as applied to the authority*
- *for larger authorities, a clear understanding of the risks and controls associated with 'cut off' procedures, particularly with respect to revenue-generating activities.*

LALC have been providing an internal audit service for four years now and have built up a panel of experienced local clerks and councillors, working under the guidance of a lead internal auditor. LALC encourages its internal auditors to attain the PIALC<sup>3</sup> qualification.

Most LALC internal audits are conducted face to face (with some preparatory work done remotely).

Councils are given the opportunity to feedback to LALC on their internal auditor each year. LALC holds an annual review of the service with its auditors, and considers any tweaks required to its processes, checklist or reports. In order to preserve a level of independence, LALC internal auditors are not appointed to councils they have any form of relationship with (such as previously worked for or a neighbouring parish), and no internal auditor is allowed to audit the same council for more than three years.

LALC internal audit fees are based on the electorate size (plus an additional modular fee for other areas such as cemeteries, allotments, community buildings etc).

Our last LALC internal audit fee was £285 (ex VAT). Fees for 2025-26 are likely to be set following the LALC internal audit meeting in July.

#### **Alternative options to using LALC**

- Commission a local accountant
- Search for a local internal auditor registered via the Internal Audit Forum<sup>4</sup>

#### **Recommendation**

Council considers continuing with the LALC internal audit service for 2025-26, noting that a new internal auditor will be appointed to us.

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<sup>3</sup> Principles of Internal Auditing Local Councils

<sup>4</sup> <https://internalauditforum.org.uk/internal-audit-directory/>