LAUNTON PARISH COUNCIL

Internal Audit - Terms of Reference - DRAFT

Objectives & Responsibilities

The Primary objective of the Internal Audit is to review, evaluate and report upon the adequacy of the internal control systems.

The internal control systems established provide assurances that the Parish Council's objectives will be achieved with particular reference to:

- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, law and relevant regulations;
- the safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption;
- the integrity and reliability of information, accounts and any data.

The Internal Auditor, therefore, should:

- carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete the relevant section of the Annual Return;
- review the reliability and integrity of financial information;
- review the means of safeguarding assets and verify their existence, if that is deemed appropriate;
- appraise the economy and efficiency with which resources are employed and identify, where appropriate, opportunities to improve performance and make recommendations if required;
- review the established systems to ensure that all policies, procedures, laws and regulations which could have a significant impact on operations, determining whether the Parish Council is in compliance;
- review operations and activities on a regular basis to ascertain whether the results are consistent with the Parish Council's objectives and whether they are being carried out within the scope set out.

Scope of Internal Audit Activity

There are no limitations to the Internal Auditor's scope of activities. The scope of the Internal Audit allows for unrestricted access of the Parish's activities, including both financial and non-financial systems of internal control.

The Internal Audit shall, as a minimum, cover areas which will provide a test of key controls in order to provide assurances that coverage has been met.

Independence
The Internal Auditor is to be independent of the operations, both financial control and management, of the Parish Council and is competent in the understanding of the law and requirements which are applicable to local councils, as stated in Governance and Accountability for Smaller Authorities in England. He/she should also have an understanding of simple accounting and basic PAYE and VAT requirements.

If there are any changes to the Internal Auditor's personal circumstances which may call into question his/her independence, it should be reported to the Parish Council in writing and subsequently acknowledged.

The main way to determine the effectiveness of an Internal Audit is that it is seen to be independent in its planning and operation and, as such, will have unrestricted access to the Clerk and will be segregated from the day to day operations of the Parish Council.

Objectivity will be preserved by ensuring that the Internal Audit is free from any conflicts of interest and does not undertake any non-audit duties on behalf of the Parish Council.

Rights of Access
There are no limitations to the Internal Auditor's access to records. He/she has the authority to access all assets, records, documentation, correspondence and control systems, in addition to receiving any information and explanations considered necessary and requiring the Clerk to account for cash or any other asset under his/her control.

The Parish Council's Responsibilities
The RFO / Clerk and Council have clearly defined responsibilities for risk management, internal financial control, internal audit and prevention of fraud and corruption.

The existence of an Internal Audit does not diminish this responsibility to establish systems of internal control to ensure that the Parish Council's activities are conducted in a secure and well-ordered manner.

Reporting
The Internal Auditor will formally report on his/her results following each audit and make any appropriate recommendations to the Parish Council; he/she will also ensure that any corrective actions, where appropriate, are carried out.

These Terms of Reference were adopted at a meeting on 4 July 2019 (Minute reference 4/7/19 8. b.) to be reviewed in two years or sooner should legislation dictate.

Draft 22 July 2021