Date agreed at Council Meeting: Ref: 12/25 – 23 January 2025

MIDDLETON STONEY PARISH COUNCIL

Internal Audit
Terms of Reference

Objectives & Responsibilities

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

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

- the effectiveness of operations.
- the economic and efficient use of resources.
- compliance with applicable policies, procedures, laws, 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 the 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 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 complying.
- 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 to the Parish's activities, including both financial and non-financial systems of internal control.

The Internal Audit shall, as a minimum, cover areas that will provide a test of key controls 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 understand simple accounting and basic PAYE and VAT requirements.

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

Date agreed at Council Meeting: Ref: 12/25 – 23 January 2025

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.