YLCA Internal Audit Service

Terms of Reference

Mission

To assist local councils/parish meetings (with gross budgeted income/expenditure (whichever is the higher) below £25,000 per annum, to maintain and improve internal control in accordance with proper practices as set out in the Accounts and Audit Regulations.

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council/parish meeting, and to achieve this will adopt a predominantly systems-based approach to audit.

The council/parish meeting's internal control system comprises the whole network of systems established within the council/parish meeting to provide reasonable assurance that the council/parish meeting'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, laws and 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 data

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year.
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve performance and recommend solutions to problems
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council/parish meeting is in compliance
- Review operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned

The Scope of Internal Audit Activity

There are no limitations on Internal Audit's scope of activities. The scope of Internal Audit allows for unrestricted coverage of the council/parish meeting's activities, including both financial and non-financial systems of internal control.

Independence

The main determinant of the effectiveness of Internal Audit is that it is seen to be independent in its planning and operation. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to the officers of the council/parish meeting
- Reporting in its own name
- Segregation from the day to day operations of the council/parish meeting

Every effort will be made to preserve objectivity and independence by ensuring that all Internal Auditors are free from any conflicts of interest and do not undertake any non-audit duties on behalf of the council/parish meeting.

Rights of Access
There are no limitations on Internal Audit's access to records. Internal Auditors have the authority to:

• access council/parish meeting premises at reasonable times agreed in advance
• access all assets, records, documents, correspondence and control systems
• receive any information and explanation considered necessary concerning any matter under consideration
• require any employee of the council/parish meeting to account for cash, stores or any other council/parish meeting asset under his/her control
• access records belonging to third parties, such as contractors when required

The Council/parish meeting's Responsibilities
The Responsible Financial Officer and Proper Officer have clearly defined responsibilities for Risk Management, Internal Control, Internal Audit and preventing Fraud and Corruption.

The existence of Internal Audit does not diminish the responsibility of the council/parish meeting to establish systems of internal control to ensure that activities are conducted in a secure and well-ordered manner.

Reporting
The Internal Auditor will formally report the results of audits and the recommendations made to the council/parish meeting and will follow up at subsequent Internal Audits to make sure that corrective actions are taken. Copies of audits and recommendations made will be provided to YLCA.

Review of Terms of Reference
The Terms of Reference will be reviewed and updated as necessary every three years.