



NORTHCHURCH PARISH COUNCIL

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Terms of Reference for Internal Audit

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| Version | V25.0 |
| Date approved by Finance & General Purposes Committee | N/A |
| Date approved | 12-05-2025 |

Northchurch Parish Council

Internal Audit Service – Terms of Reference

Mission

To assist local councils 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, and to achieve this will adopt a predominantly systems-based approach to audit.

The council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the 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, 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 in order to be able to complete Section 4 (Annual internal audit report) of the Annual Return.
- 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 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's activities, including both financial and nonfinancial 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
- Reporting in its own name
- Segregation from the day to day operations of the council

Every effort will be made to preserve objectivity 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.

Rights of Access

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

- access council 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 to account for cash, stores or any other council asset under his/her control
- access records belonging to third parties, such as contractors when required

The Council'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 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 council and will follow up at subsequent Internal Audits to make sure that corrective actions are taken.

The Clerk will present the results of audits and the recommendations made to council at a full council meeting and with agreement from the council will implement changes where necessary.

Review of Terms of Reference

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

Date of next review: May 2026

Expected Standard Evidence of Achievement Areas for development

| Expected Standard | Evidence of Achievement |
|--------------------------------|--|
| 1. Scope of internal audit | <p>Terms of reference were approved by full council/board on May 2025</p> <p>Scope of audit work takes into account risk management processes and wider internal control. Terms of reference define audit responsibilities in relation to fraud</p> |
| 2. Independence | <p>Internal Auditor has direct access to those charged with governance (see Financial Regulations).</p> <p>Reports are made in own name to management.</p> <p>Auditor does not have any other role within the council/board.</p> |
| 3. Competence | <p>No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.</p> |
| 4. Relationships | <p>A responsible officer (Clerk, RFO) is consulted on the internal audit plan and on the scope of each audit. (Evidence is on audit files).</p> <p>Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.</p> <p>The responsibilities of council members are understood; training of members is carried out as necessary.</p> |
| 5 Audit Planning and reporting | <p>The Audit Plan properly takes account of corporate risk.</p> <p>The plan has been approved by the council May 2025</p> <p>Internal Audit has reported in accordance with the plan on May 2025</p> |

Review of effectiveness of internal audit

| Characteristics of 'effectiveness' | Evidence of Achievement |
|------------------------------------|-------------------------|
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| Internal audit work is planned | Planned Internal audit work is based on risk assessment and designed to meet the body's governance assurance needs. |
| Understanding the whole organisation its needs & objectives | The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement. |
| Be seen as a catalyst for change | Supportive role of audit for corporate |
| | developments such as corporate governance review, risk management and ethics. |
| Add value and assist the organisation in achieving its objectives | Demonstrated through positive management responses to recommendations and follow up action where called for. |
| Be forward looking | When identifying risks and in formulating the annual audit plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and Corporate governance. |
| Be challenging | Internal audit focuses on risks and encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment. |
| Ensure the right resources are available | Adequate resource is made available for internal audit to complete its work. Internal auditor understands the body and the legal and corporate framework in which it operates. |

Reviewed and adopted on: May 2025

Note: Review of effectiveness of internal audit must be reviewed and adopted by council annually during the financial year and before 31 March.