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## Internal Audit Terms of Reference

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### **1. Introduction**

- 1.1. Pembury Parish Council has agreed to adopt the Terms of Reference at its meeting held on 05/06/2023 and has recorded the decision under Minute Ref: 23/068b.
- 1.2. Pembury Parish Council will consider renewing these Terms of Reference annually.
- 1.3. These Terms of Reference should be taken in conjunction with the test details in the latest edition of "Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide".
- 1.4. The requirement for an Internal Audit comes under local government legislation, section 151 of the Local Government Act 1972. The Accounts and Audit (Amendment) (England) Regulations 2006 also identify the need for an Internal Audit function.

### **2. Requirements – General**

- 2.1. Appointment of the Internal Auditor shall be at the Annual Parish Council meeting in May each year.
- 2.2. The Responsible Financial Officer (RFO) shall prepare the appropriate Internal Control processes to include Standing Orders, Financial Regulations, Financial Risk Assessments and General Management Risk Assessments.
- 2.3. Draft Internal Control documents shall be approved by Full Council.
- 2.4. All Internal Control processes shall be reviewed annually, and documents updated as appropriate.

### **3. Requirements – Independent Internal Auditor**

- 3.1. The Internal Auditor must be independent of the activities they audit in order to remain impartial and effect professional judgements and recommendations. They shall have no other role within the Council.
- 3.2. The Internal Auditor shall carry out the work required by the Council with a view to satisfactory completion of the Internal Auditor's Report section of the Annual

Governance and Accountability Return as required annually by the External Auditors.

- 3.3. The Internal Auditor shall carry out their work in accordance with proper practices guidance with particular reference to Appendix 8 of the "Governance and Accountability in Local Councils in England and Wales – A Practitioners Guide".
- 3.4. The Internal Auditors Report shall be in their own name and addressed to the Council. A minimum of one annual report and one interim report in respect of each financial year shall be produced.
- 3.5. Should the Internal Auditor find that no matters have arisen from the audit which necessitates bringing to the attention of the Council, the report shall reflect this.
- 3.6. Each item of the Internal Auditors Report must be fully addressed and minuted by the Finance and HR Committee or Full Council meetings as appropriate.

#### **4. Risks and Fraud**

- 4.1. Accountability for the response to the risks identified by the Internal Audit shall be with the Council who either identify and implement the appropriate action or accept the risk.
- 4.2. Internal Audit shall provide advice on the risks of fraud and help raise awareness of fraud issues.
- 4.3. In the case of suspected fraud, the Internal Auditor should report to the RFO, the Chair of the Council and the Chair of the Finance and HR Committee. It may be appropriate for the Internal Auditor to advise or assist with an investigation.

#### **5. Audit Plan for the Financial Year**

- 5.1. The Audit plan for 2023-24 is shown in appendix 1.



Task	Done by:	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Approve Financial Regulations	FC		✓										
Review Staff Pay Scales	FHR										✓		
Preparation of annual estimates	FHR								✓	✓			
Approval of Final Budgets & submission of precept	FC									✓	✓		
Approve Annual Governance & Accountability Return	FC			✓									
Visits by Internal Auditor	Clerk		✓						✓				
Monitor budgets	FHR	✓			✓			✓			✓		
Chair of FHR Committee to review bank reconciliations quarterly	Chair of FHR			✓			✓			✓			✓
Other members of the Finance & HR Committee to review bank reconciliations	FHR	✓	✓		✓	✓		✓	✓		✓	✓	
Chair of FHR Committee to reconcile petty cash tin to accounts	Chair of FHR	✓			✓			✓			✓		