

INTERNAL AUDIT TERMS OF REFERENCE

LLANGADOG COMMUNITY COUNCIL

APRIL 2024

REVIEW APRIL 2027

1. Purpose of the Audit

The purpose of internal audit is to provide Llangadog Community Council with independent assurance that its financial management, governance arrangements, risk management and internal control systems are operating effectively and in accordance with proper practices and relevant legislation. Internal audit supports the Council in meeting its responsibilities for the prudent management of public funds.

2. Background and Context

Llangadog Community Council is responsible for maintaining adequate and effective systems of internal control. Internal audit forms part of the Council's overall governance and assurance framework by reviewing key financial and governance arrangements, reporting findings to the Council and supporting continuous improvement.

3. Audit Objective

The overall objective of internal audit is to assess, on a risk-based and test basis, whether the Council has adequate and effective arrangements for financial administration, governance, risk management, compliance and internal control.

4. Scope of the Audit

The internal audit will consider the adequacy and effectiveness of the Council's key systems and controls during the relevant financial year. The scope may include:

- Accounting records and financial procedures.
- Budget setting, budget monitoring and financial reporting.
- Bank reconciliations, cash controls and arrangements for income and expenditure.
- Payroll, allowances and employment-related payments, where applicable.
- Asset register maintenance and insurance arrangements.
- Use, monitoring and approval of reserves.
- Risk assessment, internal control and governance arrangements.
- Compliance with standing orders, financial regulations and relevant proper practices.
- Progress in addressing previous internal and external audit recommendations.
- Completion of the Internal Audit Report section of the Annual Return, where required.

5. Out of Scope

Internal audit will not take part in Council decision-making, prepare the Council's accounts, authorise transactions, manage financial records on behalf of the Council or provide legal advice. The internal auditor will not be responsible for preventing or detecting all fraud or error, although any concerns identified during the audit will be reported appropriately.

6. Audit Criteria

The audit will be assessed against relevant legislation, proper practices for town and community councils in Wales, the Council's standing orders and financial regulations, the Annual Return requirements, recognised governance principles and evidence of good practice for local councils.

7. Audit Approach and Methodology

The internal audit will be conducted using a proportionate, risk-based approach. The auditor may review documents, examine accounting records, test a sample of transactions, check reconciliations, review minutes and policies, discuss arrangements with the Clerk or Responsible Financial Officer and consider whether previous recommendations have been addressed.

8. Roles and Responsibilities

Role	Responsibilities
Internal auditor	Act independently and objectively; plan and carry out audit work; review evidence on a test basis; complete the internal audit report where required; and provide written findings, conclusions and recommendations.
Full Council	Appoint a suitably independent and competent internal auditor; consider internal audit findings; approve any management actions; and monitor progress in addressing recommendations.
Clerk and Responsible Financial Officer	Maintain adequate accounting records and governance documents; provide timely access to records and explanations; support audit testing; and prepare responses to findings where required.
Chair or nominated councillor	Support oversight of the internal audit process, help ensure recommendations are reported to Council and confirm that agreed actions are followed up.

9. Information Requirements

The Council will provide the internal auditor with access to relevant records and information. This may include accounting records, bank statements, reconciliations, invoices, receipts, payroll records, minutes, standing orders, financial regulations, risk assessments, asset registers, insurance documents, budget reports, VAT records and evidence of action taken in response to previous audit findings.

10. Reporting Arrangements

The internal auditor will provide a written report to the Council setting out the work completed, findings, conclusions and any recommendations for improvement. The report should be formally received and considered by the Council. Where recommendations are made, the Council should agree actions, responsible persons and timescales, and monitor progress until completion.

11. Indicative Timetable

Stage	Indicative Timing	Output
Appointment and planning	Start of audit cycle	Confirmation of auditor independence, scope, records required and timetable.
Interim or annual review	During or after the financial year	Review of key records, sample testing and discussion of emerging issues.
Annual Return review	Before approval deadlines	Completion of the internal audit report section, where applicable.
Reporting to Council	At the next suitable Council meeting	Written report received, recommendations considered and actions agreed.
Follow-up	As agreed by Council	Progress against agreed actions reviewed and recorded in minutes.

12. Quality, Independence and Professional Standards

The internal auditor must be sufficiently independent from the Council's financial decision-making and administration to provide objective assurance. The auditor should have appropriate knowledge and experience of local council governance, accounting requirements and internal control. Any conflicts of interest must be declared and managed before audit work begins.

13. Confidentiality and Data Handling

Information provided to the internal auditor will be used only for audit purposes and handled securely. The auditor and Council will respect confidentiality, data protection and records management requirements. Any suspected fraud, irregularity or significant control weakness should be reported promptly to the Council through appropriate channels.

14. Engagement and Communication

Communication will normally be maintained between the internal auditor, the Clerk, the Responsible Financial Officer and the Chair or nominated councillor. The internal auditor may request explanations or supporting evidence during the audit. Significant issues should be reported promptly so that the Council can consider appropriate action.

15. Review of the Terms of Reference

These terms of reference should be reviewed periodically by the Council, and at least when appointing or reappointing the internal auditor. Any significant change to the scope, responsibilities, reporting arrangements or audit timetable should be approved by the Council and recorded in the minutes.