

STALMINE WITH STAYNALL PARISH COUNCIL

INTERNAL AUDIT TERMS OF REFERENCE

Purpose of Internal Audit

To assist Stalmine with Staynall Parish Council to maintain and improve internal control in accordance with proper practices as set out in the Local Audit and Accountability Act 2014, the Accounts and Audit regulations 2015 and described in “Governance and Accountability for Local Councils – A Practitioner’s Guide (England)”.

Internal Audit Objectives and Responsibilities

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

The 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, law 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, the 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 of the Annual Return
- Review the reliability and integrity of financial information
- Review the means of safeguarding assets and as appropriate verify their existence
- Appraise the economy and efficiency with which resources are employed and identify, where appropriate, opportunities to improve performance and make recommendations as required
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, determining 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

Scope of Internal Audit Activity

There are no limitations to the Internal Audit’s scope of activities. The scope of Internal Audit allows for unrestricted coverage of the council’s activities including both financial and non-financial systems of internal control.

The Internal Audit shall however as a minimum cover the ten key control tests listed in the appendix in order to provide assurance that coverage has been met.

Independence

The main determinant of the effectiveness of Internal Audit is that it is seen to be independent in its planning and operation and as such will have unrestricted access to the officers of the council, the ability to report in its own name and segregation from the day-to-day operation of the council. Objectivity will be preserved 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 and they have authority to access all assets, records, documents, correspondence and control systems in addition to receiving any information and explanation as considered necessary and the requiring of any employee of the council to account for cash or any other council asset under his control.

Council's Responsibilities

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 the audit including a statement regarding the level of assurance provided by the internal controls in place. It will also make appropriate recommendations (if any) to the council and make sure that corrective actions, where required, are taken.

Appendix

Internal Control	Suggested Testing
Proper Bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct? • Is the cashbook regularly balanced?
a) Standing Orders and financial regulations adopted and applied; and b) Payments controls	<ul style="list-style-type: none"> • Has the council formally adopted standing orders and financial regulations? • Has a Responsible Financial Officer been appointed with specific duties? • Have items or services above the de minimis amount been competitively purchased? • Are payments in the cashbook supported by invoices, authorised and minuted? • Has VAT on payments been identified, recorded and reclaimed?
Risk management arrangements	<ul style="list-style-type: none"> • Does a review of the minutes identify any unusual financial activity? • Do minutes record the council carrying out annual risk assessment? • Is insurance cover appropriate and adequate? • Are internal financial controls documented and regularly reviewed?
Budgetary controls	<ul style="list-style-type: none"> • Has the council prepared an annual budget in support of its precept? • Is actual expenditure against the budget regularly reported to the council? • Are there any significant unexplained variances from budget?
Income controls	<ul style="list-style-type: none"> • Is income properly recorded and promptly banked? • Does the precept recorded agree to the Council Tax authority's notification? • Are security controls over cash and near-cash adequate and effective?
Petty cash procedures	<ul style="list-style-type: none"> • Is all petty cash spent recorded and supported by VAT invoices/receipts? • Is petty cash expenditure reported to each council meeting? • Is petty cash reimbursement carried out regularly?
Payroll controls	<ul style="list-style-type: none"> • Do all employees have a contract of employment with clear terms and conditions? • Do salaries paid agree with those approved by the council? • Are other payments to employees reasonable and approved by the council? • Have PAYE/NIC been properly operated by the council as an employer?
Assets controls	<ul style="list-style-type: none"> • Does the council maintain a register of all material assets owned or in its care? • Are the assets and investments register's up to date?

	<ul style="list-style-type: none"> • Do asset insurance valuations agree with those in the asset register?
Bank reconciliation	<ul style="list-style-type: none"> • Is there a bank reconciliation for each account? • Is a bank reconciliation carried out regularly and in a timely fashion? • Are there any unexplained balancing entries in any reconciliation? • Is the value of investments held summarised on the reconciliation?
Year-end procedures	<ul style="list-style-type: none"> • Are year-end accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure)? • Do accounts agree with the cashbook? • Is there an audit trail from underlying financial records and accounts? • Where appropriate, have debtors and creditors been properly recorded?