

Kersey Parish Council Internal Audit

Terms of Reference and Internal Audit Plan year ending March 2022

It is the Parish Council as a whole that is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of their functions and which includes arrangements for the management of risk.

To safeguard Kersey Parish Council finances there are three systems of control:

- **Internal control**
- **Internal audit** - Internal audit is a key component of the system of internal control. Its purpose is to independently review, evaluate and report on the effectiveness of risk management, internal control and governance processes to ensure they are adequate, effective, and in line with current regulations. Internal audit does not actively seek evidence of fraud, corruption, error or mistakes, but can assist the Parish Council in its responsibility for the prevention and detection of such occurrences.
- **Limited assurance audit review** - The Parish Council may be exempt from a limited assurance audit review. In which case a certificate will be sent to the external auditor, appointed by Smaller Authorities Audit Appointments and the Annual Governance and Accountability Return completed as necessary.

The Internal Auditor is independent of the operations (financial control/management) of the Council; competent in the understanding proper practices in relation to governance and accounting requirements within the legal framework and powers of smaller authorities; has an awareness of relevant risk management issues; and has an understanding of simple accounting and basic PAYE and VAT requirements. Any change in personal circumstances that may cause a question over the independence requirement must be reported by the Internal Auditor to the Parish Council.

Internal audit work will be carried out using guidance from the Joint Panel on Accountability and Governance Practitioners Guide (current edition).

The Parish Council with the Internal Auditor will determine the scope and coverage of the work to be carried out by internal audit in accordance with proper practices and guidance. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective. The internal audit function must be independent from the management of the financial controls and procedures of the authority which are the subject of review. The person carrying out internal audit must be competent to carry out the role in a way that meets the business needs of the authority. It is for each authority to decide, given its circumstances, what level of competency is appropriate, and to keep this issue under review. Internal audit is an on-going function, undertaken regularly throughout the financial year, to test the continuing existence and adequacy of the authority's internal controls. It results in an annual assurance report to members designed to improve effectiveness and efficiency of the activities and operating procedures under the authority's control.

The Parish Council's internal control systems comprise a whole network of systems established to provide reasonable assurances to:

- The effectiveness of operations.
- Compliance with applicable policies, procedures, laws and regulations.
- Safeguarding 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.

The Internal Auditor will use a predominantly systems-based approach to internal audit to:

- Carry out a selective assessment of compliance with relevant procedures, policies, regulations and internal controls. Noting that their establishment and alteration is the responsibility of the Parish Council.
- Review the reliability and integrity of financial information.
- Carry out an internal audit review twice during the year. One interim review midway through the financial year and one after the year-end accounts have been completed. Providing the Parish Council with a written report on the results of each internal audit review.
- Complete the Annual Internal Audit Assurance Report in the Annual Governance and Accountability Return.

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Internal control	Scope of Internal Audit	Internal Auditor comments
Proper bookkeeping	<ul style="list-style-type: none"> • Is the cashbook maintained and up to date? • Is the cashbook arithmetic correct and regularly balanced? 	
Standing Orders and Financial Regs	<ul style="list-style-type: none"> • Evidence the Council has adopted and regularly reviewed Standing Orders and Financial Regulations and these are tailored to the Council. • Has a Responsible Financial Officer been appointed with specific duties? 	
Payments controls	<ul style="list-style-type: none"> • Have items above the de minimus amount been competitively purchased? • Are payments in the cashbook supported by invoices, authorised and minuted? • Has VAT on payments been identified, recorded and reclaimed? • Is S 137 spending minuted, separately recorded in a/c and within statutory limits? • Are the legal powers recorded for spending? 	
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 an annual risk assessment? • Is there evidence that risks are being identified and managed? • Is appropriate insurance cover in place for employment, public liability and fidelity? • Is insurance cover adequate and reviewed annually? • Are internal control systems documented and regularly reviewed? • Has the Council carried out a Review of the Effectiveness of Internal Audit and internal control systems during the year? 	
Budgetary controls	<ul style="list-style-type: none"> • Has the annual budget been properly prepared and agreed? • Evidence the precept amount was agreed by Council and clearly minuted? • Is actual expenditure against the budget regularly reported to the Council? • Are there any significant unexplained variances from budget? • Are general reserves and earmarked reserves appropriate? 	
Income controls	<ul style="list-style-type: none"> • Is income properly recorded, promptly banked and reported to Council? • Does the precept recorded agree to the Council Tax authority's notification? • If received, is CIL funding reported in accordance with current regulations? 	
Petty cash	<ul style="list-style-type: none"> • Is petty cash in operation? 	
Payroll controls	<ul style="list-style-type: none"> • Do all employees have contracts of employment? • Do salaries paid agree with those approved by the Council? • Are other payments to employees reasonable and approved by the Council? • Have PAYE/NIC/pensions been properly operated by the Council as an employer? 	
Assets controls	<ul style="list-style-type: none"> • Is the Council Asset Register reviewed annually? • Are asset insurance valuations recorded in the asset register, reviewed and in line with insurance cover? 	
Bank reconciliation	<ul style="list-style-type: none"> • Are bank reconciliations completed regularly and reconciled with the cash book? • Do bank balances agree with bank statements? • Are bank balances regularly reported to Council meetings? 	
Year-end procedures	<ul style="list-style-type: none"> • Are year-end accounts prepared using the appropriate procedures? • Is there a financial trail from underlying records to presented accounts? • Has the appropriate Annual Governance & Accountability Return been completed? • Was there the opportunity provided for the exercise of electors' rights? 	
Internal and external audit reports	<ul style="list-style-type: none"> • Have Internal Audit reports been considered by Council? • Has appropriate action been taken for matters raised in Internal Audit reports? • If the Council certified itself exempt from limited assurance review, did it meet the exemption criteria? • Were External Audit reports considered by Council & appropriate actions taken? 	
Additional matters	<ul style="list-style-type: none"> • Has the Council complied with the Transparency Code and the 2015 Audit & Accounts Regulations by publishing relevant information on their website? • Has the Council published an up-to-date accessibility statement on their website? • Is the Council registered with the Information Commissioners Office? • Was an Annual Parish Assembly held? • Is the Council complying with General Data Protection Regulation requirements? 	