

RYE TOWN COUNCIL

INTERNAL AUDITOR TERMS OF REFERENCE

BACKGROUND & CONTEXT

Local councils have a duty, under the Accounts and Audit Regulations 2003 (as amended), to maintain an adequate and effective system of internal audit of their accounting records and of their systems of internal control in accordance with the proper practices in relation to internal control*.

* Reg 6(1), Accounts & Audit (Amendment)(England) Regulations 2003 as amended.

The Council will re/appoint an internal auditor annually who satisfies the principles of independence and competence. The appointee will receive a letter of appointment which sets out the terms of their appointment. The appointee will be remunerated. The appointment itself and the rate of remuneration will be minuted.

Every January, the Council will conduct a review of the effectiveness of its system of internal audit* The Council will consider, at an appropriate time, the findings of the review and incorporate them within its statement of internal control.

* Reg 6, Accounts & Audit (Amendment)(England) Regulations 2003 as amended.

OVERALL PURPOSE OF THE INTERNAL AUDIT

- Generally: to review the Council's accounting procedures and controls and report on their compliance with the Accounts & Audit Regulations 2003 (as amended)
- To test and report (in writing) to the Council on whether its financial controls are adequate and effective, identifying any areas of weakness or concern
- To assist the Council in fulfilling its responsibility to maintain arrangements for the prevention and detection of fraud or error
- To carry out two internal audit exercises per annum: the first in October- November, the second as soon as possible after the year end (but no later than the second week of June).
- To suggest areas for improvement
- To complete Section 4 of the Annual Return

SCOPE OF THE AUDIT

In pursuance of the above the internal auditor shall be guided by the relevant legislation and financial regulations pertaining to the sector, the latest NALC/SLCC *Practitioner's Guide (England)*, best practice, and the Council's Internal Audit Plan - the content of which shall be agreed by both the internal auditor and the Council annually.

RYE TOWN COUNCIL

INTERNAL AUDIT PLAN 2009-10

Notes *This Plan is applicable to the accounts, controls and procedures of both the Town Hall and Rye Heritage Centre.*

The Plan will be reviewed annually and amended to incorporate specific issues detected during the preceding 12 months.

1 BASIC CHECK LIST (half year exercise – Oct-Nov)

a) The Annual Return

- Is there a Minute showing that that the Council has formally approved the end of year accounts?
- Does the Minute accord with the information given in Section 1 of the Annual Return?
- Has the Council given members of the public the opportunity to inspect and raise questions on the accounts?
- Has the Council approved the Annual Return by the specified date (30 June)?
- Have significant variances in the Annual Return (Section 1) figures been explained?
- Was the Asset Register up-to-date and did the total concur with the figure entered in Section 1, Box 9 of the Annual Report?
- Has the Town Council published Sections 1, 2 and 3 of the Annual Return?

b) Budgetary process and controls

- Is progress against the budget regularly monitored and an explanation provided for significant variations?

c) Proper book-keeping

- Have appropriate records of account been properly kept – and are they accurate and up-to-date?

d) Payment controls

- Do Members regularly see a complete list of payees?
- Does all expenditure agree with the budget, Council decisions/authorisation or delegated authorisation?
- Are payments in the cash book supported by (authorised) invoices?
- Is VAT correct in the cash book, linked to invoices, and been reclaimed?
- Are Section 137 payments identified in the cash book separately and is the total expenditure within the prevailing statutory limit?
- Has the Council acted lawfully in its decision making and not exceeded its powers?

e) Income controls

- Has scheduled income (precept, grants, fee income etc) been fully received, based on correct fees (where relevant), properly recorded and promptly banked?
- Has other income been properly recorded and promptly banked?
- Are security controls over cash and 'near cash' (eg vouchers and stamps) adequate and effective?

f) Petty cash procedures

- Are all petty cash payments recorded, supported by receipts and have reimbursements been made?
- Where relevant, has VAT been recorded and reclaimed?

g) Bank reconciliations

- Are all bank statements – including investment statements – available?
- Are bank reconciliations carried out regularly?
- Are there any unexplained entries in any reconciliation?

h) Payroll controls

- Do salaries paid agree with the pay scales approved by the Council?
- Are tax, National Insurance and pension requirements properly applied?

i) Risk management

- Has the Council assessed the significant risks to achieving its objectives (Annual Risk Assessments), including the management of its finances – and confirmed that it has procedures in place to deal with the risks identified?

j) Asset controls

- Is the Assets Register up-to-date?

k) Improvements

- Has the Council acted on any recommendations made by the internal or external auditors?

2 BASIC CHECK LIST (year end exercise – by second week of June)

a) Budgetary process and controls

- Is there an adequate process for determining and approving the budget?
- Have monies been allocated in the budget to cover contingencies and are these sufficient?
- Have reserves been allocated and are they at appropriate levels?
- Is progress against the budget regularly monitored and an explanation provided for significant variations?
- Is there a minute recording the adoption of the budget/precept?

b) Year end controls

- Have year end accounts been prepared on the correct basis (ie income & expenditure), agreed with the cash book, are supported by an adequate audit trail from underlying records, and debtors and creditors properly recorded?

c) Proper book-keeping

- Have appropriate records of account been properly kept – and are they accurate and up-to-date?

d) Payment controls

- Do Members regularly see a complete list of payees?
- Does all expenditure agree with the budget, Council decisions/authorisation or delegated authorisation?
- Are payments in the cash book supported by (authorised) invoices?
- Is VAT correct in the cash book, linked to invoices, and been reclaimed?
- Are Section 138 payments identified in the cash book separately and is the total expenditure within the prevailing statutory limit?
- Has the Council acted lawfully in its decision making and not exceeded its powers?

e) Income controls

- Has scheduled income (precept, grants, fee income etc) been fully received, based on correct fees (where relevant), properly recorded and promptly banked?
- Has other income been properly recorded and promptly banked?
- Are security controls over cash and 'near cash' (eg vouchers and stamps) adequate and effective?

f) Petty cash procedures

- Are all petty cash payments recorded, supported by receipts and have reimbursements been made?
- Where relevant, has VAT been recorded and reclaimed?

g) Bank reconciliations

- Are all bank statements – including investment statements – available?
- Are bank reconciliations carried out regularly?
- Are there any unexplained entries in any reconciliation?

h) Payroll controls

- Do salaries paid agree with the pay scales approved by the Council?
- Are tax, National Insurance and pension requirements properly applied?

i) Risk management

- Has the Council reviewed its fidelity insurance, ensuring it is adequate in comparison to Council funds and the precept?
- Has the Council reviewed its Financial Regulations, including the Council's Standing Orders relating to the purchase of goods and services?

j) Asset controls

- Is the Assets Register up-to-date?

k) Reviews

- Has the Council reviewed its system of internal control and re/issued a statement of internal control?
- Has the Council reviewed the effectiveness of its system of internal audit?

l) Improvements

- Has the Council acted on any recommendations made by the internal or external auditors?