

# **COLTON PARISH COUNCIL**

## **SCOPE OF INTERNAL AUDIT - TERMS OF REFERENCE**

### **PROPER BOOKKEEPING**

To ensure that the cash book is kept up to date and is regularly reconciled to the bank statement. This reconciliation is presented to the full council quarterly. To test that the cash book entries agree with the supporting vouchers and invoices which have been approved at a full council meeting.

### **FINANCIAL REGULATIONS, STANDING ORDERS, AND PAYMENT CONTROLS**

The internal auditor should have a copy of the standing orders and financial regulations. The internal auditor's report may include recommendations for improvement in these documents which are reviewed annually by the budget committee.

The internal audit should test payments to ensure that all expenditure is legal, the supporting paperwork is in place and that payments have been properly authorised by full council. These checks should cover all items above £500 and a random selection of smaller items.

### **RISK MANAGEMENT**

To ensure that annual insurance and budget reviews are being properly completed.

### **BUDGETARY CONTROL**

To ensure that expenditure and variances have been examined at full council meeting at least twice in each accounting year. Variances should be checked by internal audit to ascertain if there is a need for further work. The precept budget calculation and allowances policy should be checked for soundness by internal audit.

### **INCOME CONTROLS**

Internal audit should check that the precept has been promptly and properly received and that all other sources of income are identified and collected.

### **PETTY CASH PROCEDURE**

The internal audit should ensure that there is a fully controlled and approved procedure in place which includes sign off by a member of council for all expenditure. (Colton Parish Council does not operate a petty-cash system, but does make a cash advance or 'imprest' twice yearly to the book-keeper of the Bouth Village Green Committee in return for receipts for expenditure to date. This cash transfer is signed by the Clerk and the book-keeper.)

### **ASSETS/INVESTMENTS**

Colton Parish Council's Assets Register should be updated annually, approved by the Finance Working Group, and checked by internal audit. Colton Parish Council has no investments. The internal audit should ensure that attempts are made to maximise the bank interest on cash balances.

### **YEAR END PROCEDURE**

To ensure that the year end financial statements can be clearly tracked through working papers and are properly prepared. The internal auditor to check whether any outstanding amounts are material, and if so, to decide whether they should be included in the income and expenditure accounts.

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### **CRITERIA FOR REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT**

Scope of internal Audit	Terms of reference are reviewed annually by the Finance Working Group and discussed with the Internal Auditor.
Independence	The internal auditor has access to all council members. The internal auditor is independent and unbiased, and has no other role within the parish council.
Competence	No evidence that audit work has not been carried out ethically, with integrity and objectively.
Relationships	Responsibilities of clerk/RFO, council members and internal auditor are defined.
Internal Audit Planning & Reporting	<p>The audit plan is prepared, taking account of the risk assessment and audit scope, and approved by the Finance Working Group annually. The Council is made aware of the time-table for the internal audit procedure.</p> <p>An internal audit report is given to the council.</p>