



HOUGHTON REGIS TOWN COUNCIL

Internal Audit Specification & Terms of Reference

Purpose of Internal Audit

Internal Audit is a function of management and forms part of the Council's internal control mechanisms. By the use of an independent internal audit service assurance is gained regarding the areas examined.

Internal Audit Process

1. Internal Auditor to be appointed by Town Council;
2. The internal auditor is to be advised of;
 - the Internal Audit Specification;
 - the Internal Audit Planning, Reporting and Review Policy;
 - contact details for Town Council Members and staff.
3. Timely arrangements to be made with the appointed Internal Auditor to visit the Council offices and inspect the specified documents;
4. The Internal Auditor prepares his independent report which is to be submitted in writing to the Clerk to the Council in his own name;
5. The Internal Auditor completes and signs the statement within the Annual Return as legally required to do so.

Internal Audit Specification

The following areas are required to be reviewed / checked:

Legal basis including; Council has been acting legally and fulfilling its duties within the powers vested in it

Previous internal audit report including; review of report undertaken by Council and formulation of an action plan to address any issues raised

Proper bookkeeping including; appropriate books of account have been properly kept throughout the year, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for

Council policy specifically Standing Orders and Financial Regulations including; requirements within these documents have been met, annual review undertaken

Risk management including; review of Minutes to identify any unusual activity, review of risk assessments, provision of adequate and appropriate insurance cover, systems of internal control are sufficient in terms of minimising the risk of fraud including Council policy and procedures and practice

Budgetary controls including; the annual precept requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, reserves were appropriate, any significant variances from budget noted

Income controls including; petty cash controls, suitability of recording mechanisms, suitability of banking procedures, security and effectiveness of cash controls, expected income was fully received

Payroll controls including; salaries to employees and allowances to members were paid in accordance with council approvals, PAYE and NI requirements were properly applied

Asset controls including; asset and investment registers were complete, accurate, properly maintained and relate to the insurance schedule

Bank reconciliation including; periodic and year-end bank account reconciliations were properly carried out

Year end procedures including; year-end accounts were prepared to the correct accounting basis, agreed with cash book, were supported by an adequate audit trail from underlying records, debtors and creditors were properly recorded

Terms of Reference

1. The internal audit is to cover the financial year of the council;
2. The internal audit is to be completed by a suitably qualified person who acts ethically with integrity and objectivity and is independent of the Council
3. Internal audit report to be reviewed annually by Town Council
4. Action plan to be drawn up to respond to any points raised