Arlesey Town Council

ARLESEY TOWN COUNCIL
INTERNAL AUDIT TERMS OF REFERENCE

21/144.6

1) RELEVANT LEGISLATION

Appointment of Proper Officer:
Section 112 of The Local Government Act 1972 requires the Council to appoint at least one officer to carry out the proper discharge of its statutory functions. Arlesey Town Council has appointed the Town Clerk to hold the position of 'proper officer' and this appointment is confirmed within the post-holders Job Description and Employment Contract and within Standing Order No 15 (Last adopted 15th June 2021).

Appointment of Responsible Financial Officer (RFO):
Section 151 of the Local Government Act 1972 requires the Council to appoint a suitably qualified officer responsible for the proper administration of its financial affairs. Arlesey Town Council has appointed the Town Clerk to hold the position of RFO and this appointment is confirmed within the post-holders Job Description and Employment Contract and within Regulation 1.8. of the Council's Financial Regulations (Last adopted 16th November 2021)

Appointment of Independent Internal Auditor:
Regulation 5 of the Accounts and Audit Regulations 2015 requires *that 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of the system of internal control required by regulation 3.'* The Clerk will make a recommendation to the Finance & General Purposes Committee on the 3yearly appointment of the Internal Auditor in September of each 3rd year – next due September 2022. The Council will ratify the appointment at its next meeting appointing a competent and independent person to undertake an Internal Audit of the Council's financial and non-financial systems of internal control. The engagement of the Internal Auditor will be subsequently confirmed by way of a letter between Internal Auditor and the Council.

Annual Review of the Effectiveness of Internal Audit and Systems of Internal Control
Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to annually *'conduct a review of the effectiveness of the system of internal control required by regulation 3'* which includes the management of risk. The Council acknowledges that this review must be at least annually approved by the Council and cannot be delegated to either a Committee, the RFO, Internal Auditor or External Auditor although their input into the review process will be considered by the Council. A review of the effectiveness of internal audit will be encompassed within this review.

Statutory Powers/Functions:

Burial Authority - Arlesey Town Council is the Burial Authority for the Parish of Arlesey as defined by Section 214 of the Local Government Act 1972.

Provision of Allotment Gardens – Arlesey Town Council provides and maintains Allotment Gardens for the benefit of its parishioners under Sections 23, 26 and 42 of the Small Holdings and Allotments Act 1908.

Provision of Recreation Facilities – Arlesey Town Council provides and maintains a public play area, recreation ground, multi-use games area, outdoor gym facility and sports field with changing facilities under Section 164 of the Public Heath Act 1875, Sch. 14 para 27 of the Local Government Act 1972, section 44 of the Public Health Acts (Amendment) 1890, sections 9 & 10 of the Open Spaces Act 1906 and section 19 of the Local Government (Miscellaneous Provisions) Act 1976.

Provision of Public Buildings and Village Hall - Arlesey Town Council administers Arlesey Community Centre, which includes Arlesey Resource Centre and Arlesey Village Hall, under Section 133 of the Local Government Act 1972.

Subscription to Local Government Associations - Arlesey Town Council pays annual subscriptions to Bedfordshire Association of Town & Parish Councils and the Society of Local Council Clerks under Section 139 of the Local Government Act 1972.

Grants – Arlesey Town Council annually invites applications for grants from locally constituted groups who the Council considers are working to provide a benefit to either all or some of the inhabitants of the Parish of Arlesey, up to a current maximum of £8.41 per elector in the year 2021/22, under Section 137 of the Local Government Act 1972.

2) SCOPE OF THE INTERNAL AUDIT

The Internal Audit will include an examination of the following:

Appointment of Proper Officer, RFO and Internal Auditor	- compliance to appropriate legislation (as identified in Section 1) - appropriate references contained within council governance documents - regular review and amendment of relevant documents
Council's Receipt of Internal & External Auditor's Reports	- evidence of Internal & External Auditors reports being presented to Council - evidence of remedial action having been taken in response to any areas of concern highlighted by either the RFO, a Council Member, Internal and/or External Auditor
Proper Book-keeping	- timely and accurate recording of receipts and payments - regular reconciliation of bank, cash book and petty cash balances - member checks on the verification of accuracy of receipts and payments
Internal Control Objectives	- regular review, amendment and adoption or Council approval of: Standing Orders, Financial Regulations, Job Descriptions and Contracts - adherence review of Payment Control Procedures (ie Purchase Orders)
Risk Management	- evidence of insurance review and update of schedule identified - evidence of Risk Assessments being carried out on new functions
Statutory Functions	- function as a Burial Authority is properly managed according to legislation - function as Allotment Garden provider is properly managed according to legislation (Tenancy Agreements & Fees regularly reviewed) - play areas, outdoor gym and recreation grounds are regularly inspected in accordance with the Council's Health & Safety Policy and the DDA requirements. - the Sports Field, MUGA and Changing Facilities are regularly inspected as above and 'lettings' are managed in accordance with Council policy
Budgetary Controls	- evidence of budget setting and reviews identified within council minutes - adoption of annual budgets and precepts by Council - evidence of regular 'budget Vs actual' reports being submitted to Council - evaluation of the Council's General Fund and Reserves balances
Income Controls	- evidence of prompt and proper receipt of the precept and other income - investigation into internal systems of cash-receipt and invoice-raising - arrangements for short-term storage of cash and cheque's received - timely deposit of receipts with bank and appropriate recording of same - identification and assessment of the Council's Investment Policy
Payroll Controls	- the internal system used in the calculation of PAYE deductions meets the requirements of HM Customs and Revenues - a summary of salaries/wages is reported to Council each month, and a detailed analysis of all payments is verified by 2 members/signatories - staff are paid in accordance with salaries approved by the Council - RTI reports are submitted to HMRC in accordance with HMRC rules - all staff appear on the 'payroll' and as such all other payments are either made on either a 'contract' or 'purchase order' basis. - the RFO properly prepares and submits the final submission for year indicator with RTI Full Payment Submission (FPS) or EPS - employee benefits are properly recorded to meet employer obligations - employee contracts are periodically reviewed and updated - salary reviews are carried out in accordance with accepted proper practices *(ie: staff appraisals, committee review and recommendation, council approval, letter of confirmation to employee and on personnel files)* - the RFO keeps abreast of changing legislation to ensure the council complies with PAYE Notices as issued by HM Customs & Revenue
VAT	- VAT has been charged at the appropriate % where applicable - Supplier VAT invoices are checked for accuracy and display of VAT Reg. - VAT returns have been submitted to HMRC in accordance with registration - the RFO keeps abreast of changing legislation to ensure the council complies with VAT Notices as issued by HM Customs & Revenue

Asset Control	- regular maintenance of an Asset Register and verification against Council's insurance schedule that cover is adequate and sufficient - review of investments in line with the Council's Investment Policy
Bank Reconciliation	- identification and assessment of appropriateness of all bank accounts held - evidence of regular reconciliation between bank balances and cash book - verification that the year-end reconciliation is true and accurate - bank reconciliation is periodically checked and verified by a member - inclusion of cost of current investments (if applicable) to provide current information on performance against the Council's expectations
Anti-Fraud, Bribery & Corruption Arrangements	- evidence of review and adoption of 'Anti-Fraud, Bribery and Corruption Policy' - evidence of review and adoption of 'Complaints Procedure' - evidence of review and adoption of 'Disciplinary Rules & Procedures' - evidence of completion and review of members 'Notification of Financial Interests' forms and 'Declaration of Acceptance of Office' - evidence of Council's adoption of the 'Code of Conduct' and relevant training on 'Standards' having been undertaken by all members - systems of Internal Control are implemented as directed by Council
Financial Year-end Procedures	- inspection of audit trail between accounting records and year-end accounts - acknowledgement of Council's/RFO obligations to produce year-end financial statements and within the timeframe prescribed by legislation. - confirmation that the appropriate accounting basis has been used, and that sufficient detailed notes support the Income and Expenditure Account and Statement of Assets & Liabilities (Balance Sheet) - assessment of the annual 'Explanation of Variances' compiled by the RFO for submission to the External Auditor as confirmation of its accuracy - accruals, debtors, creditors and pre-payments have been appropriately recorded within the accounts and any bad-debts written-off have been approved by Council. - minuted approval of the Council of the previous 'Annual Return' and 'Annual Governance Statement' as required by the Audit Commission Act
Annual Review of the Effectiveness of the Internal Systems Control	- annual review considered and approved by the Council - the review has direct correlation to the Council's Audit Plan, Internal Audit Terms of Reference, and Systems of Internal Control which include Standing Orders, Financial Regulations and Administration Schedule. - evidence of remedial action taken in response to areas of concern highlighted by the previous year's review - members are aware of the requirement for an annual review of the systems of internal control, and understand its purpose in connection with their approval of the 'Annual Governance Statement'

3) INDEPENDENCE & COMPETENCE of Internal Auditor

Arlesey Town Council will carry out an assessment prior to the appointment of the Internal Auditor to ensure that the person appointed as Internal Auditor is both 'independent and competent' as set out in the standards contained within: *'Governance & Accountability for Local Council: A Practitioners' Guide (England) 2017'*

4) REPORTING & RELATIONSHIPS

Delegated members of the Finance & General Purposes Committee (if in existence) or members of the council and the Clerk/RFO will take an active role in the formation of the Council's Audit Plan, Internal Audit Terms of Reference and the systems of Internal Control (Financial Regulations, Standing Orders and Administration Schedule). The Internal Auditor will make representations on the aforementioned documents within their annual report.

The Clerk/RFO will act as the link between the Council and the Internal Auditor in so far as advising the Internal Auditor of relevant timescales and deadlines. The Clerk/RFO will also provide relevant information requested by the Internal Auditor in the course of their duties. The Internal Auditor will direct all enquiries and reports to the Clerk in the first instance, however in the event of a 'breakdown' in this relationship the Internal Auditor will contact the Chairman of the Council directly. The Internal Auditor may be requested, or may request, to attend a meeting of the Council, to provide a personal account of any matter which the Council, or the Internal Auditor, believes would be better served personally explained.

5) AUDIT PLANNING

The Council will annually review and approve an **Audit Plan** which provides timescales and the scope of the audit process. **The Council will approve the Audit Plan in March each year.**

6) FRAUD, BRIBERY & CORRUPTION

The Council, as a corporate body, is responsible for the detection and prevention of internal and external fraud and corruption. The Council uses various internal control systems to manage this responsibility which include an 'Anti-Fraud, Bribery & Corruption Policy', 'Standing Orders', 'Financial Regulations' and the 'Members Code of Conduct'.

The Council's 'Annual Review of Effectiveness of the Councils Systems of Internal Control' encompasses the Council's management of Anti-Fraud, Bribery & Corruption measures.

7) REVIEW & ADOPTION of these TERMS OF REFERENCE

The last review and/or amendment of this document took place on: 16th February 2021

The Council adopted this document on: 22nd **February 2022**

Terms of Reference Prepared by: Janet Bailey (Clerk/RFO – Arlesey Town Council)