

# Martham Parish Council

## Scope of Internal Audit - TERMS OF REFERENCE

### PROPER BOOKKEEPING

To ensure that the accounts system is kept up to date and is regularly reconciled to the bank statements. This reconciliation is presented to the full council monthly. To test that the accounting entries agree with the supporting bank deposits 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 Finance 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. (Martham Parish Council does not operate a petty-cash system, but does make payment in response to receipts received for costs incurred).

### ASSETS/INVESTMENTS

Martham Parish Council's Assets Register should be updated annually, approved by the Finance Committee and checked by internal audit.

### YEAR END PROCEDURE

To ensure that the year-end financial statements can be clearly tracked through working papers and are properly prepared.

Reviewed and adopted November 2021.

Next review November 2022.