



RAUNDS TOWN COUNCIL

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INTERNAL AUDIT SERVICE – TERMS OF REFERENCE

Mission

To assist Raunds Town Council to maintain and improve internal control in accordance with proper practices as set out in the Accounts and Audit Regulations.

Internal Audit Objectives and Responsibilities

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal audit control systems operating throughout the council, and to achieve this will adopt a predominantly systems-based approach to audit.

The Council's internal control system comprises the whole network of systems established within the council to provide reasonable assurance that the council's objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data

Accordingly, in the conduct of planned audits Internal Audit may:

- Carry out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year in order to be able to complete Section 4 (Annual internal audit report) of the Annual Return.
- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- Appraise the economy and efficiency, with which resources are employed, identify opportunities to improve performance and recommend solutions to problems.
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the council is in compliance.
- Review operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned.

The scope of Internal Audit Activity

- There are no limitations on Internal Audit's scope of activities. The scope of Internal Audit allows for unrestricted coverage of the council's activities, including both financial and non-financial systems of internal control.

Independence

The main determinant of the effectiveness of the Internal Audit is that it is seen to be independent in its planning and operation. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to the officers of the council
- Reporting in its own name
- Segregation from the day to day operations of the council

Every effort will be made to preserve objectivity by ensuring that all Internal Auditors are free from any conflicts of interest and do not undertake any non-audit duties on behalf of the council.

Rights of Access

There are limitations on Internal Audit's access to records. Internal Auditors have the authority to:

- Access council premises at reasonable times agreed in advance;
- Access all assets, records, documents, correspondence and control systems;
- Receive any information and explanation considered necessary concerning any matter under consideration;
- Require any employee of the council to account for cash, stores or any other council asset under his/her control;
- Access records belonging to third parties, such as contractors when required.

The Council's Responsibilities

The Responsible Financial Officer and Proper Officer of the Council have clearly defined responsibilities for Risk Management, Internal Control, Internal Audit and preventing Fraud and Corruption.

The existence of Internal Audit does not diminish the responsibility of the council to establish systems of internal control to ensure that activities are conducted in a secure and well-ordered manner.

Reporting

The Internal Auditor will formally report the results of audits and the recommendations made to council and will follow up at subsequent Internal Audits to make sure that corrective actions are taken.

Review of Terms of Reference

The Terms of Reference will be reviewed and updated as necessary every three years. Date of next review: February 2018

Appendix 3

Raunds Town Council - Review of Effectiveness of Internal Audit. 27 August 2015

1. Meeting the standards

Expected Standard	Evidence of Achievement	Areas for Development
Scope of Internal Audit	<p>Terms of reference for Internal Controls (IC) and Internal Audit (IA) to be approved by the full Council September 2015.</p> <p>Scope of IA includes examination of any / all of the Council's policies, procedures, records, systems and documents, as requested by either the Clerk / RFO or the Internal Auditor (IAr).</p>	The Internal auditor to be asked to do work reviewing the councils cash controls and payroll systems.
Independence	<p>IAr has free and unfettered access to all records held by the Council, its Councillors or Officer at any reasonable time.</p> <p>Reports from IA to the Council are in the name of the IAr and signed by him.</p> <p>IAr acts completely independent of the Council, have no other business or personal connection with the Council.</p>	Approved terms of Reference in place.
Competence	There is no evidence that IA work has been carried out unethically or without integrity and objectivity	None at this time
Relationships	<p>Clerk / RFO makes contact with IAr, at which time a discussion takes place as to the reason for the contact and the Council's requirements, including the scope of the IA work to be carried out eg advice, full audit at time of Annual Return (AR) etc. Responsibilities are defined in Financial Regs and this document.</p> <p>Responsibilities of Councillors and Officers are understood; relevant persons are appropriately trained.</p>	
Audit Planning and Reporting	<p>Recommendations in the report presented by the auditor will form the Audit Plan for this year.</p> <p>Additionally members of the Finance Committee</p>	None at this time

2. Characteristics of effectiveness

IA work is planned	<p>See comment above.</p> <p>IAr is seen as a source of expertise and assistance, available to be called on if necessary.</p>	None at this time
Understanding the organisation	This is being established as the audits proceed.	None at this time
Be seen as a catalyst for change	<p>Evidence of this in the pre audit review document.</p> <p>The role of IA is recognised both by the full Council and its P & R Committee.</p>	None at this time
Add value and assist the Council in achieving objectives	<p>Early indications are that this will flow from the audits.</p> <p>The review of the councils earmarked reserves and review of land ownership and registration will prove useful to the council in achieving their objectives.</p>	None at this time
Be forward looking	IA is recognised as a conduit for the supply of information on change and development in governance etc issues	None at this time
Be challenging	Both the Council and the IAr recognise their respective roles in encouraging ownership and development	None at this time
Ensuring resource is available for IA and IAr	The Council subscribes to a professional IA service	None at this time

Re-affirmed March 2017