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Anne Ogilvie  
Clerk to Sandford St Martin Parish Council

20 August 2020

Dear Anne,

### **Letter of Engagement 2020/21**

I hope that the Council was satisfied with the audit work I did last year. In order to continue, I thought that it was most straight forward if I sent you a new letter of engagement now so that the Parish can start the audit process for this new financial year.

As previously, the purpose of this letter is to set out the basis on which the Parish Council would engage me.

My role as your Internal Auditor will be to be your 'critical friend'. I will look through your Parish's processes and procedures and, where necessary, will make recommendations which, I hope, will help improve the Council's working. Some of these recommendations will be long-term goals, others may need to be implemented more quickly, but I will be available as part of the Audit process to help guide you through what is needed.

This letter confirms the basis on which I will provide services to you to avoid any misunderstandings of our respective responsibilities.

#### **1. Internal Audit of the Council**

- a. The primary objectives of Internal Audit are:
  - i. to review, appraise and report upon the adequacy of internal control systems operating throughout the Council; to achieve this I will adopt a predominantly systems-based approach to the audit;
  - ii. to carry out an annual inspection of the books and records of the Council.

The Council is responsible for providing those documents as prescribed within the attached checklist.

- b. Timescales for the effective and efficient method of completing the audit are as follows:
  - i. ensure that the process laid down within this engagement letter are acceptable;
  - ii. sign the engagement on the last page and scan and return that page by email. (Please send this by the end of **October** to give time for completion of the checklist.)

- c. A checklist will then be forwarded. This should be answered and returned with any documents requested by **December**. This will be then be reviewed prior to my visit (see d.).
- d. I would hope to make one visit to the Parish to inspect the books and clarify any queries following the return of my questionnaire. This will be part of my audit process, although mileage will be charged at 45p per mile. Any further visits requested would be charged at £30 per hour.
- e. Any overhang issues will be concluded before the 31st March 2021.
- f. Provided I am satisfied that the Council has met the Internal Audit criteria, I will sign off the AGAR, send it to you and conclude the Audit. An Annual Report will be issued with any action points.
- g. Unfortunately, if timescales are not observed, this could attract extra charges over and above the quoted fee as laid down below.
- h. If you wish me to check your year-end Annual Return figures before you send it off to the External Auditors, I am quite happy to do this. I can also check your Annual Financial Statements for compliance.

## **2. Scope of Work**

Predominantly Internal Audit will review the books and records of the Council culminating in the completion of the Internal Audit Report as stated above. I will identify if the following key areas are in place and working satisfactorily.

- a. Proper Book-keeping
- b. Payment controls in relation to Financial Regulations
- c. Review of the Internal Controls, which will include:
  - i. The Parish Risk Assessment;
  - ii. Review of the effectiveness of Internal Financial Control;
  - iii. An overall review of your Internal Controls.
- d. Budgetary controls
- e. Income controls
- f. Petty Cash procedures (if applicable)
- g. Payroll controls
- h. Asset controls
- i. Bank reconciliations
- j. Application of Spending Powers
- k. Review of the status of Trusts (if applicable)
- l. Policies review
- m. Review and completeness of minutes
- n. Review and completeness of audit action plans
- o. Year End procedures, which will include:
  - i. Financial Statements review;
  - ii. Review of Council balances;
  - iii. Analytical Review;

iv. Annual Return review.

### **3. Roles and Responsibilities**

My role as an Internal Auditor is one of independence. I must make it clear that I can in no way involve myself in the financial decision-making, appointments or any other areas that may give rise to conflicts of interest.

### **4. The Council Responsibilities**

The Responsible Financial Officer / Proper Officer, together with the Council, have clearly defined responsibilities for Risk Management, Internal Control, Internal Audit and the prevention of 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.

### **5. Fees**

My fees for all work undertaken are based on the number of hours I have estimated it is likely to take to complete the Internal Audit.

Fees for 2020/21

Fixed for the year with an Internal Audit visit

Precept of under £25,000:	£130.00
Precept of £25,000 - £40,000:	£145.00
Precept of £40,000 - £80,000:	£165.00
Precept of £80,000 - £100,000:	£190.00
Precept of £100,000 – £125,000	£215.00
Precept of £125,000 – £150,000	£250.00

The budgeted hours are estimated and are on the understanding that all requests for documents and responses to my Internal Audit checklist are forwarded to me within the above timescales.

Travel to and from the Council is charged at 45p per mile.

### **6. Requests for attendance at Council Meetings**

I would be happy to attend a Council meeting, given reasonable notice, if convenient. This gives the Council an opportunity to ask me questions, clarify the scope and nature of the work undertaken and to make me aware of any issues that may be relevant as my cycle of Internal Audit progresses.

A nominal cost for this service is charged at £60 plus travel.

## **7. Request for work outside the scope of Paragraphs 1 to 3**

Any such request for extra audit time to be provided will be discussed at the time and will be subject to an appendix agreement.

## **8. Agreement of terms**

Once agreed, this letter will remain effective from the date of signature until it is replaced. Either party may vary or terminate my authority to act on your behalf at any time; however, if work has already been undertaken, a charge for the work so far, would be made. Notice of termination must be given in writing.

This agreement will remain effective until the Parish formally disengages me. This must be done before the Audit cycle begins and no later than the end of July for the following year. Failure to do this could result in an administration charge being incurred. Please confirm your agreement to the terms of this letter of engagement by signing and returning one copy to me at the above address. Two signatures are required (1) The RFO or Parish Clerk and (2) An appropriate member of the Council.

I trust that this is acceptable to the Council and look forward to hearing from you.

Yours sincerely,

*Jane*

Jane Olds (Mrs)

## Agreement of Terms

Sandford St Martin Parish Council confirms that the Council considered and agreed to

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the contents of this letter at a meeting on: \_\_\_\_\_

Minute Reference: \_\_\_\_\_

and agrees that it accurately reflects the services that Sandford St Martin Parish Council has instructed Jane Olds, as Internal Auditor, to provide.

Sandford St Martin RFO/Parish Clerk

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Sandford St Martin Chairman or appropriate Council Member

Position: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_