

Arrow Accounting

18 Springfield Road, Caversfield, Oxfordshire. OX 27 8TT

Telephone: 01869 250080 Mobile: 07745372022

www.arrowaccounting.co.uk



10th August 2018

Caversfield Parish Council

Dear Sir,

In accordance with the recommendations of our professional body, the Association of Accounting Technicians, this letter confirms the basis on which we provide services to you to avoid any misunderstandings of our respective responsibilities.

Nature of services

Letter of Engagement 2018/19

The purpose of this letter is to set out the basis on which we are engaged.

1. Internal Audit of the Council

- 1) The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the council, and to achieve this we will adopt a predominantly systems-based approach to the audit.***
- 2) 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.***

Timescales for the effective and efficient method of completing the audit are as follows:

- a) Ensure that the process laid down within this engagement letter is understood as the process and timescales have changed from previous years. Sign the engagement on the last page and scan and return that page by email. (I do not need the whole document back). Please send this by the end of September to give time for completion of the checklist.***

- b) *A checklist will then be forwarded. This should be answered and returned with any documents requested by the 31st October 2018. This will be reviewed.*
 - c) *An Income and Expenditure test sheet and a Payroll test sheet will then be forwarded for completion and returned by the 31st December 2018.*
 - d) *Any overhang issues will be concluded before the 31st March 2019.*
 - e) *If 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.*
 - f) *If timescales are not observed, this could attract extra charges over and above the quoted fee as laid down below.*
- 3) *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. We will identify if the following key areas are in place and working satisfactorily.

- 1) *Proper Book-keeping.*
- 2) *Payment controls in relation to Financial Regulations.*
- 3) *Review of the Internal Controls, which will include:*
 - a) *A Risk Assessment.*
 - b) *Review if the effectiveness if Internal Audit.*
 - c) *An overall review of your Internal Controls.*
- 4) *Budgetary controls.*
- 5) *Income controls.*
- 6) *Petty Cash procedures.*
- 7) *Payroll controls.*
- 8) *Asset controls.*
- 9) *Bank reconciliations.*
- 10) *Application of LG Spending Powers.*
- 11) *Review of the status of Trusts if applicable.*
- 12) *Policies review.*
- 13) *Review and completeness of minutes.*
- 14) *Review and completeness of audit action plans.*
- 15) *Year End procedures, which will include:*
 - a) *Financial Statements review.*
 - b) *Review of Council balances.*
 - c) *Analytical Review.*
 - d) *Annual Return review.*

Roles and Responsibilities

Our role as Internal Audit is one of independence. We must make it clear that we can in no way involve ourselves in the financial decision making, appointments or any other areas that may give rise to conflicts of interest.

The Council Responsibilities

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

3. Fees

Our fees for all work undertaken are based on the number of hours taken to complete the Internal Audit in 2017/18. An increase over and above inflation is given. This is due to extra costs I must bear in relation to Anti money laundering and Data Protection Regulations. However, you are able to save on travel costs if you elect to complete the Audit without a physical visit.

Fees for 2018/19

Fixed for the year with no physical visit at £100

Fixed for the year with and Internal Audit visit £110

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

Travel to and from the Council is charged at £0.58p per mile. If required.

4. Requests for attendance at Council Meetings

We actively encourage the request for our attendance at Council meetings, given reasonable notice. This gives the Council has an opportunity to ask us questions, clarify the scope and nature of the work undertaken and to make us aware of any issues that may be relevant as our cycle of Internal Audit progresses.

A nominal cost for this service is charged at £200 plus travel.

5. 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.

Anti money laundering legislation

All accountants must comply with onerous duties imposed by the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 (the “Anti Money Laundering Legislation”), which are intended to inhibit the activities of terrorists and other criminals by denying them access to technical expertise. If we fail to perform these duties, we risk imprisonment.

Before we accept your instructions, we may need to obtain ‘satisfactory evidence’ to confirm your identity. In certain circumstances, we may need to obtain evidence confirming the identities of third parties, the source of any funds or other property, the purpose of any instructions or any other matter. We may also need to obtain such evidence after we have begun to act on your instructions.

We assume that our clients are honest and law abiding. However, if at any time, there appear to be grounds to suspect (even if we do not actually suspect) that your instructions relate to ‘criminal property’, we are obliged to make a report to the Serious Organised Crime Agency (“SOCA”), but we are prohibited from telling you that we have done so.

In such circumstances, we must not act on your instructions without consent from SOCA. If SOCA do not refuse consent within 7 working days we may continue to act. If SOCA issue a refusal within that time, we must not act for a further 31 days from the date of the refusal.

‘Criminal property’ is property in any legal form, whether money, real property, rights or any benefit derived from criminal activity. It does not matter who carried out the criminal activity or how removed the property is from the original crime. Even if you are honest in your dealings, if your property represents a benefit from someone else’s crime, we must still make a report.

Activity is considered ‘criminal’ if it is a crime under UK law, no matter how trivial. For example, tax evasion is a criminal offence but an honest mistake is not. We will assume that all discrepancies are mistakes unless there is contrary evidence.

Privacy Policy

As part of our GDPR requirements, we recommend viewing our Privacy Policy at
www.arrowaccounting.co.uk

Ownership of records

In the event of non-payment of our fees for services rendered, we may exercise a particular right of lien over the books and records in our possession and withhold the documents until such time as payment of our invoice is received in full.

File destruction

Whilst certain documents may legally belong to you, unless you tell us not to, we intend to destroy correspondence and other papers that we store which are more than seven years old, other than documents which we think may be of continuing significance. If you require the retention of any document, you must notify us of that fact in writing.

Ethical guidelines

We will observe the ethical guidelines of the Association of Accounting Technicians and accept instructions to act for you on the basis that we will act in accordance with those guidelines. A copy of these guidelines will be supplied to you on request.

Customer service

We are committed to providing a high standard of customer service. If you have any ideas as to how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please let us know. In the event that you have a complaint, we will look into this carefully and promptly and do all we can to explain the position to you or address your concerns. If you are still not satisfied you may of course make a complaint to the Association of Accounting Technicians.

Third parties

All accounts, statements and reports prepared by us are for your exclusive use within your Council business or to meet specific statutory responsibilities. They should not be shown to any other party without our prior consent.

No third party shall acquire any rights pursuant to our agreement to provide professional services.

Applicable law

This engagement letter is governed by, and construed in accordance with, English law. The Courts of England will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

Disclaimer

We will not be liable for any loss suffered by you or any third party as a result of our compliance with the Anti Money Laundering Legislation or any UK law or at all.

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 our authority to act on your behalf at any time without penalty. Notice of termination must be given in writing.

Would you please confirm your agreement to the terms set out in this letter by signing and returning the enclosed copy? If anything is unclear to you or you require any further information, please let me know.

6. Agreement of Terms

This agreement will remain effective until the Parish formally disengages us, 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 the offices above. Two signatures are required (1) The RFO or Parish Clerk and (2) An appropriate member of the Council.

Yours faithfully

Philip R Hood F.m.a.a.t

www.arrowaccounting.co.uk

Email: philhood@arrowaccounting.co.uk

We confirm that we have read and understood the contents of this letter and agree that it accurately reflects the services that we have instructed you to provide. We have elected to complete the Audit

Without a Visit

☐

With a Visit

☐

Please tick one of the above.

RFO/Parish Clerk on behalf of Caversfield Parish Council.....

Dated.....

Print Name.....

*Chair or appropriate Council Member.....Agreed at Council meeting
of.....and on behalf of the Council*

Print Name.....

www.arrowaccounting.co.uk

Please visit the web-site for useful updates and information.

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Philip Hood is Licensed & Regulated by the A.A.T to engage in Public Practice, in accordance with Licence No 543. The details of which are displayed at the above office address.



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