

Throop and Holdenhurst Village Parish Council

Appointment of Internal Auditor 2022

Report to Village Council

1. Background:

- 1.1 Regulation 5(1) of the Accounts and Audit Regulations 2015 require small council's to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 1.2 Internal auditing must be independent of the management controls and procedures of the council subject to audit and must be carried out by a competent person. It must also be carried out at regular intervals throughout the year.
- 1.3 The work of internal audit should be subject to an engagement letter on first appointment by the council, setting out the terms of the appointment.
- 1.4 The council must undertake a review of its internal audit requirements at least every three years and upon any change of Internal auditor.
- 1.5 Advice on appointing a suitable internal audit provider was requested from the Dorset Association of Town and Parish Councils and a company identified who have considerable experience of dealing with Town and Parish Councils across Dorset.

2. Purpose of report:

- 2.1 The purpose of this report is to seek the approval of the council to appoint an internal auditor as soon as possible in order to carry out the necessary functions required by Regulations and good practice in respect of the next 12 months and beyond subject to review.
- 2.2 Appendix A of this report sets out the proposed draft letter of engagement between the council and "Do The Numbers Limited" who will provide a competent auditor.
- 2.3 Appendix B of this report sets out further details of the company together with information concerning the cope and activities of internal audit.

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3. Recommendations:

It is recommended that:

- 3.1 Councillors consider the content of this report including the information contained in Appendix A and Appendix B.
- 3.2 The Council agrees to appoint 'Do The Numbers limited' as the Council's Internal Auditors at an initial fee of £190.
- 3.3 Authority is delegated to the Chair to sign the letter of engagement on behalf of the council.
- 3.4 Council agrees to review its internal audit requirements and processes regularly and make appropriate arrangements to ensure the on-going robustness and efficiency of its procedures and financial arrangements.
- 3.5 Delegate authority to the Clerk to review present arrangements for External audit and, if considered necessary, make further recommendations to council at its next meeting.

Do the Numbers

Letter of Engagement between

Do the Numbers Limited and Throop and Holdenhurst Parish Council (hereafter “the Council”)

Date : 3rd February 2022

Dear Members and Officers,

The purpose of this letter is to set out the basis on which the Do the Numbers is engaged as internal audit provider to the Council.

We undertake to provide the council with a suitably qualified Internal Auditor whose competences and qualifications comply with the requirements of the [Audit and Accounts Regulations 2015](#).

All work will be carried out in accordance with the guidance and instruction in the [Practitioners Guide 2021](#)

This letter sets out terms on which Do the Numbers Ltd will act for the Council in relation to the internal audit.

Period of engagement

This agreement will start with the annual return for the year ended 31 March 2022.

Responsibilities of the Council and the internal auditor

As councillors, you are responsible for approval of the annual governance statement and the preparation of the annual return, including, inter alia, the maintenance of proper accounting records and an appropriate system of internal control.

Do the Numbers Ltd will work in accordance with the professional standards for such engagements. It will consist of internal audit checks following the guidelines in the current edition of “Governance and Accountability for Smaller Authorities in England”. In particular, the internal audit will be carried out using the suggested approach contained therein.

Throop and Holdenhurst Village Parish Council

Regulatory requirements

We reserve the right to disclose their files to regulatory bodies in the exercise of their powers.

Quality of service

We aim to provide the best possible service to clients. If you would like to discuss how the service could be improved, please contact the director of the company by email.

We undertake to look into any complaint carefully and promptly and do all we can to explain the position to you. We will do everything reasonable to put matters right. Prompt communication enables us to take prompt action on your behalf.

Should you at any stage feel that you have not received an adequate response to a complaint the circumstances should be brought to the attention of the Director.

If we do not answer your complaint to your satisfaction you may take up the matter with the External Audit Provider for your county.

Do the Numbers Ltd, 37 Upper Brownhill Road, Southampton SO16 5NG Company No. 7871759

D the Numbers

Fees

These are as per the scale of charges published annually and are based on the total income of the council for the year under review. Fees will be billed annually and will be due on presentation.

Applicable law

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

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Agreement of terms

1. (i) Once it has been 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.
2. (ii) Please could the council confirm its agreement to the terms set out by this letter by the Chairman signing and returning the enclosed copy. Please contact the Director if they are not in accordance with your understanding of our terms of engagement.

Yours faithfully

Eleanor Greene ICPA
for Do the Numbers Limited

We are in agreement to the terms of this letter
For and on behalf of Throop and Holdenhurst Parish Council

..... Chairman
Minute reference Dated

*Do the Numbers Ltd, 37 Upper Brownhill Road, Southampton SO16 5NG Company No.
7871759*

Throop and Holdenhurst Village Parish Council

Appendix B

Do the Numbers Ltd Internal Audit Information 2021/22

Who are Do the Numbers Ltd?

- A company led by Eleanor Greene Bsc Hons ICPA who has been auditing Parish Councils since 1997.
- Qualified with ACCA in Private Practice and then worked for the Audit Commission.
- Following ten years as Company Secretary of Hampshire ALC, Eleanor is now Secretary of

the Hampshire SLCC (Associate member) and secretary of the national Internal Auditor

Forum, so is up to date with sector developments.

- The company is in regular communication with the External Auditors (PKF for much of the

country until 2022), as was the case with the three previous contract holders (BDO, District

Audit and the Audit Commission).

- The company holds £150,000 of Professional Indemnity Insurance linked to the practising

certificate.

- When not dealing with local Councils, Eleanor acts as the independent examiner for several

charities and has a tax practice covering individuals, partnerships and small companies.

- Therefore the company understands HMRC systems and compliance and the differences

between Parish, Charity and Company law.

What does the Internal Audit process comprise ?

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Every council will get a visit to their office / the Clerk's place of work between the 31st March year end and late June to review the controls and systems and to sign the AGAR (annual return) in good time for the 30th June submission deadline.

Larger councils – whose operations and systems are more complex – get extra visits spread through the year between October and March, to allow a thorough review of all activities to take place.

Every council, no matter how large or small has unlimited email support throughout the year.

Communication is primarily with the proper officer, but sometimes also with the Chairman. There is no such thing as a 'stupid' question the first time it is asked – it is always better to ask during the year so that matters are handled correctly in the first instance.

Fees

The Internal Audit Fee scale for 2021/22 is set on the same basis as that for external audit – bandings based around total income or expenditure - as a proxy for the complexity of the council.

There is a fee of £75 for any aborted visit or for any visit cancelled at less than one week notice. It is likely that no council will ever have to pay this as our systems include a clear schedule of documentation and actions to have been completed prior to the visit.

The issue of notice periods primarily applies to small councils where we are keeping your fees down by visiting more than one parish in a day.

When your quote is provided, your likely fee will be confirmed in writing. Quotes come with no obligations.

All engagements are on a “good till cancelled” basis. Councils are not locked in to more than one year.

Audit Calendar

Showing what main audit related actions the council should have undertaken during the year;

April Complete Cash book for prior year, ensure bank reconciliation to 31 March complete and approved by council.

Prepare draft annual return figures.

May Internal Audit visit – discuss IA report at full council including action to be taken.

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Ensure all RTI submissions complete for year – take a copy of annual summary.

Do the Numbers Ltd : Internal Audit Information

June Complete Annual return and submit with all required paperwork to External Auditor

July Review Standing orders and Financial Regulations

August Review all policies, especially Data Protection, schedule update approvals

September Review Risk Assessment as per guidance in Governance & Accountability



October November December January

February March

Receive completed external audit, report to full council and act on any points raised Start preparing the budget through monitoring of expenditure and requirements Finalise budget and complete approval of updated policies
Submit Precept request.

Include final budget in signed minutes and clearly minute the Precept amount. Review fixed asset register to bring up to date, review Transparency Code Review supporting statement to year end accounts – debtors, tenancies, leases, contingent liabilities.

Paperwork / electronic document schedule

This is the list of information that the Internal Auditor will need to check to assure themselves of the tests listed on the Internal Audit Statement on the [AGAR](#).

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Some of the items may not be applicable to very small parishes but all are part of a good internal control environment.

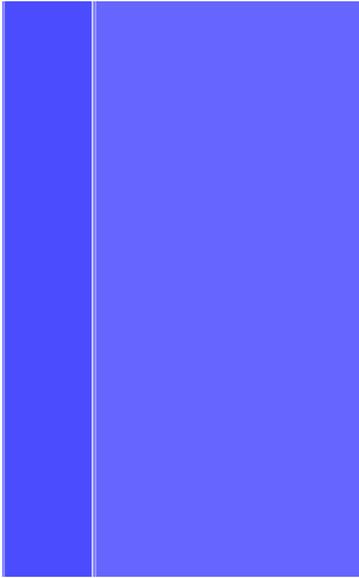
Ideally provide copies of starred (***) items for the IA to put in their file – this will save accidentally marking your originals.

All items marked “T” should be published on the council website under the [Transparency codes](#).

- • Minute book – master copy including subcommittees and confidential (T)
- • All invoices and receipts to 31 March
- • Bank statements for all accounts including loans and investments – to 31 March
- • Bank reconciliation for all accounts as at 31 March (T)
- • Cheque book stubs / Paying in books
- • Petty cash records and reconciliation
- • Insurance Schedule – including vehicles
- • Wages – evidence of RTI and Pension submissions, P60 for all staff, P45 for leavers
- • VAT reclaim or return to 31 March
- • Burial register, memorials register
- • Last year's Internal and external auditor reports and annual return (T)
- • Register of Members' interests (*link to Monitoring officer page is best*) (T)
- • Financial regulations / Standing Orders / Risk Assessment – as reviewed in year (T)
- • Budget for the following year – as approved in year (T)
- • Review of variances between cash book and budget for the current year. (T)
- • Review of leases, tenancies, contingencies and other agreements
- • Income & Expenditure (R&P for small councils) to 31 March, showing comparatives (**T)
- • Balance sheet at 31 March – showing comparatives (**T)
- • Fixed asset register as at 31 March, checked against the Insurance schedule (T)
- • Trade Debtors and prepayments listing (***)
- • Trade Creditors and Accruals listing (***)
- • Analytical review of variances for section 2 of Annual return (T)

The list looks very long written out like that but every organised clerk is actually already doing all of this – they just may not think of it in those terms.

**Throop and Holdenhurst Village
Parish Council**



Eleanor Greene ICPA for Do the Numbers Ltd