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Binal Sawjani
North Thoresby, Waithe and Grainsby Acting Parish Clerk & RFO

Internal Audit Service Requirements –Terms of Engagement

1. Mission Statement

To maintain and improve North Thoresby Parish Council’s internal control methods in accordance with proper practices as set out in the Accounts and Audit Regulations 2015. The role of the internal auditor is to be a ‘critical friend’ looking at the processes and procedures and, where necessary, will make recommendations which will help to improve the council’s governance. Some of these recommendations will be long term goals whereas others may need to be implemented more quickly. The appointed auditor will be available as part of the audit process to help guide you through what is needed.

2. Requesting an internal audit

Any council within Lincolnshire and surrounding areas may request an internal audit at any time through the financial year. Requests should be made through <https://www.lalc.co.uk/contacts/>

This letter confirms the basis on which services will be provided to you to avoid any misunderstandings of our respective responsibilities. LALC reserves the right to refuse to accept a request for an internal audit.

3. The Council’s Responsibilities

Financial management control and responsibility remains with the Council as a corporate body. The Clerk to Council and Responsible Financial Officer (RFO) have clearly defined responsibilities in respect of recommending and implementing measures in respect of risk management, internal control, internal audit and preventing fraud and corruption.

The internal auditor’s reports may be published by the Parish/Town Council as they direct and in accordance with their statutory responsibilities, however LALC recommends as best practice.

The existence of an appointed Internal Auditor and the internal audit process does not diminish the responsibility of the Council as a corporate body to establish, monitor and maintain systems of internal control to ensure that activities are conducted in a secure and well-ordered manner.

4. Internal Audit Objectives and Responsibilities

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 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 and sign the relevant Annual Internal Audit report section within the Annual Governance and Accountability Return (AGAR).
- 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

5. 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. The internal auditor will follow the standards laid out in the latest available version of *SAPP Practitioner's Guide Section Four – Best Practice Guidance for internal audit*. [JPAG PRACTITIONERS' GUIDE | Lincolnshire ALC \(lalc.co.uk\)](#). The auditor will work through a checklist which will be sent to the council with this letter, so that they are aware of the checks that the auditor will be undertaking.

a) Independence

The main determinant of the effectiveness of Internal Audit is that it is 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
- Elected members of the Council (where necessary)
- 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. If the Council deems there to be a conflict of interest with the Auditor appointed by LALC, it MUST inform

LALC immediately so that another Auditor may be appointed and therefore, be completely satisfied that the Auditor is independent from the Council.

b) Rights of Access

There are no 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 their control
- access records pertaining to third parties, such as contractors when required

c) Reporting

The Internal Auditor will formally report the results of all audits undertaken to the Chair/Mayor, the Clerk & / or RFO and the Council and such recommendations made to Council must be considered by the relevant committee and Full Council and actioned where necessary. Outstanding issues will be followed up at subsequent internal audits to make sure that corrective actions have been taken or points clarified.

LALC will retain a copy of the auditors report and checklist for a period of three years to preserve a record for future audits and the Council.

The Council may publish all internal audit reports and should comply with its responsibilities under the relevant Transparency Code and its responsibility under the Freedom of Information Act 2000 Publication Scheme.

The Council remains responsible for dealing with any enquiries arising from the internal audit coming from Councillors, electors, council tax payers, residents and other bodies and stakeholders. The internal auditor is not required to answer these enquiries and LALC reserves the right to charge further fees where the internal auditor has to undertake further duties in relation to the Council's internal audit as requested by the Council.

Members of the public, electors, local taxpayers and residents have rights to inspect the accounts and associated documents and to raise questions to the external auditor in accordance with the Local Accounts and Audit Act 2014. The internal auditor is not a substitute for this statutory process.

6. Fees and charges

Fees are based on the electorate and reviewed each financial year – these can be found on the website. For your council the electorate is 1025 and therefore the fees are £280 plus £10 for each additional service audited. The Council has the option to agree to a 2 year agreement, whereby the second year will remain at the same fee as the first year. They will also be allocated the same auditor for the 2 year period.

Our fees are based on the Auditor undertaking an intermediate audit in the autumn/winter where possible, followed by the year end checks and to sign off the internal auditor's part of the AGAR. Should the amount of time taken exceed the quoted hours and original fee quoted, LALC may raise a further invoice to cover the auditors fees.

LALC needs to inform councils that auditors will start much of the initial investigatory work remotely, by checking the Councils website and we will provide a document for all councils setting

out what will be checked to aid the process. This will be followed up by the auditor either requesting further information, holding a remote meeting or visiting the clerk/RFO. A report will be produced as soon as the audit has been completed. Depending on the information that the Auditor is provided with will affect how soon the Council receives their report.

Additional fees will be agreed beforehand which could be for:

Additional meetings where necessary	@	£25/hr plus mileage at 45p/mile
Attendance at a council meeting	@	£25/hr plus mileage at 45p/mile

7. Complaints and Feedback

Following the conclusion of an audit, the Council will be asked to complete a customer satisfaction survey.

If the Council is not happy with the service received, complaints should be raised as soon as possible as the matter arises and may be made directly to LALC.

- i) Where the issue raised relates to aspects of the internal auditor's findings and the judgements made these matters will be referred to the Lead Auditor to consider. The Lead Auditor may review the evidence and consider if the judgement reaches the standards expected for an internal audit.
- ii) Where the Council complains about other service standards relating to the internal auditor and the delivery of the service these may be considered under the LALC Complaints Procedure and other HR and staffing policies.

Review of Terms of Engagement

These Terms of Engagement will be reviewed at least annually or as legislation and best practice amendments dictate.

Agreement of terms

Once agreed, and signed, this letter stands effective until formal notice of termination is given by either party. Notice must be given before the audit cycle begins to avoid incurring charges. The Council MUST satisfy itself, that the Auditor appointed by LALC is completely independent, i.e. not worked for the Council or is a close relative of any member of the Council.

Please confirm your agreement to the terms of this letter of engagement in writing quoting the minute reference and date of meeting at which it was resolved.

Signed: 
and Grainsby Acting Parish Clerk & RFO

Position: North Thoresby, Waithe

Minute reference: Item 0725/66f

This agreement is for a **1 year period** (please highlight the period required)

Signed: *KJEVANS*

Position: Chief Executive

Lincolnshire Association of Local Councils