

Engagement Letter for: **Marchwiel Community Council**

**JDH Business Services Limited** is pleased to accept appointment as your internal auditor in accordance with the terms and conditions described below.

## **1.) Respective responsibilities of Council and Internal Auditors**

### **i.) The Council – your responsibilities**

- a) As members of the council, you are required to prepare and approve accounts for each financial year in accordance with the requirements of the latest adopted Accounts and Audit regulations and proper accounting practice.
- b) You are responsible for maintaining an adequate system of internal control, including measures designed to prevent and detect fraud and corruption.
- c) You are responsible for undertaking all reasonable steps to assure yourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice which could have a significant financial effect on the ability of the council to conduct its business or on its finances.
- d) You are responsible for carrying out an assessment of the risks facing the council and taking appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.

You have undertaken to make available to us, as and when required, all the council's books of account and records and related information necessary to carry out our work. You will make full disclosure to us of all relevant information.

The internal auditor shall have the right of access to any member or officer to discuss and to receive information and explanations in connection with any matter arising from the audit.

As part of our normal procedures we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

## **ii.) Internal Audit – Our Responsibilities**

The internal auditor is responsible for reviewing whether the Council's financial management is adequate and effective., and that it has a sound system of internal control. The scope of internal audit is summarised in the Annual Return for Local Councils as follows:

- Checking that books of account have been properly kept throughout the year
- Checking payment internal controls to ensure that the Council's financial regulations have been met, payments are supported by invoices, expenditure is approved, and VAT is correctly accounted for
- Reviewing the Council's risk assessment and ensuring that adequate arrangements are in place to manage all identified risks
- Verifying that the annual precept request is the result of a proper budgetary process; that budget progress has been regularly monitored and that the council's reserves are appropriate
- Checking income records to ensure that the correct price has been charged, income has been received, recorded and promptly banked and VAT is correctly accounted for
- Reviewing petty cash records to ensure payments are supported by receipts, expenditure is approved and VAT is correctly accounted for
- Checking that salaries to employees have been paid in accordance with Council approvals and that PAYE and NI requirements have been properly applied
- Checking the accuracy of the asset and investments registers
- Testing the accuracy and timeliness of periodic and year-end bank account reconciliation(s)
- Year end review of the financial statements
- Where the council is sole trustee to a charity, reviewing whether the council has met its responsibilities as a trustee

## **2.) Reporting**

The internal auditor will report to the Council after all interim and year end internal audits. In the event of a serious issue being identified during the year the internal auditor will also report to Council.

### **3.) Independence and Objectivity**

The internal auditor will inform the Council immediately if the internal auditor becomes aware of any conflict of interest that may adversely affect their ability to carry out the internal audit objectively and independently and will resign from the appointment forthwith.

### **4.) Fees**

Our fees are based on the degree of skill and responsibility involved and the time spent on the work and are fixed on the basis of the responsibilities detailed above for each financial year. If it is necessary to carry out work outside the responsibilities outlined in this letter it will involve additional fees that will be agreed with the Council in advance.

Our terms relating to payment of amounts invoiced are strictly 30 days net. Interest will be charged on all overdue debts at the rate for the time being applicable under the Late Payment of Commercial Debts (Interest) Act 1998.

### **5.) Period of Appointment**

Once it has been agreed, this letter will remain effective until it is replaced. The appointment is therefore for an unspecified period but subject to annual confirmation by the Council.

### **6.) Agreement of terms**

The terms set out in this letter and our general terms of business shall take effect immediately upon your countersigning this letter and returning it to us or upon commencement of the internal audit, whichever is earlier.

Once it has been agreed, this letter will remain effective until it is replaced. We shall be grateful if you could confirm your agreement to these terms by signing the enclosed copy of this letter and returning it to us immediately.

Yours

**JDH Business Services Ltd**

~~XX~~We confirm that ~~XX~~We have read and understood the contents of this letter and agree that it accurately reflects the services that ~~XX~~We expect you to provide.

Signed.....Dated 19th March 2025

For and on behalf of the Council