

CULLOMPTON TOWN COUNCIL

REPORT TO: Policy, Finance and Personnel Committee: **PRIVATE AND CONFIDENTIAL**

PREPARED BY: Town Clerk

DATE: August 2018

PRIVATE AND CONFIDENTIAL

Re: Internal Audit

The Council has been using its current internal auditor, Stuart Pollard from Council Audit Ltd, for five years. We have been very pleased with the service he has provided which has included very thorough reports to the Council. However, it is good practice to carry out a review of the internal auditor from time to time to ensure that the Council is receiving an effective and reliable service.

Therefore three estimates have been obtained to deliver the Council's Internal Audit for 2018/19

Name	Cost	Comment
Alison Marshall, Local Council Administration Services	£800 for two visits, each visit to take two days 4 audit days per year	Local – Clerk to Thorverton Parish Council
IAC Audit and Consultancy	£760 - 2 audit days per year	
Stuart Pollard: Council audit	£860 - for 2 audit days per year	Current Auditor

APPENDIX D

Alison Marshall – Local Council Administration Services

“I have reviewed Cullompton Town Councils financial data, on line, and can advise that I would be interested in taking on the internal audit should the Council so wish it. I have attached a copy of my current fee schedule, which will continue into next year, and a draft Internal Audit Contract for your information. I am willing to reduce the fee to £800.00 (no VAT applicable) per financial year and until further notice, which would include the two visits you require, due to Cullompton being so near to my home. You will see from the documents that I am fully insured and offer a one, two or three year service.

Since setting up my business, nearly three years ago, I now have in the region of 40 local Councils on my books and have grown my experience in this field no end. The way in which I work has also evolved and I can confirm that the fee quoted would include two visits to the Cullompton office over the financial year on mutually convenient dates. I would anticipate that each visit would take two days and that any additional work would be completed in my home office. 50% of the total fee would be invoiced following each of the two visits and after completion and receipt of my report detailing the checks completed, my findings, and any recommendations.

Last year my books closed in mid November, due to demand, and so if you are interested in securing a place for next years internal audit I would encourage you to confirm this, in writing, by the beginning of November at the latest. Once confirmed a Contract will be issued and sent to you for your completion and return to finalise the booking”



Judy Morris BA (Hons)

Town Clerk
Cullompton Town Council
1 High St,
Cullompton
EX15 1AB

10 July 2018

Dear Judy,

Many thanks for your request for a fee quotation for the provision of internal audit services to your council.

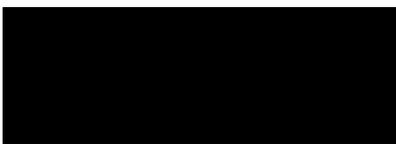
Based on the size and activities of your council I can advise that our fees would be **£760.00** plus VAT per annum. We have estimated a requirement for 2 audit days per year on site at the Council's offices. This will include a visit carried out after the year-end specifically to conclude the arrangements in respect of the Annual Return. Fees quoted include attendance at your premises and all out of pocket expenses.

If additional work is identified or should there be a requirement for additional audit time, for example due to work associated with significant adverse audit findings or additional reporting requirements, then these would be charged pro rata based on a daily rate of £380.00 plus VAT per day, or £280.00 for a half-day, again inclusive of all costs. Whenever possible we will endeavour to advise the council if there is the potential for additional time and costs and obtain the council's prior authorisation before undertaking additional work.

If the Council should find our quotation acceptable we will set out the full scope of our work and audit responsibilities in a formal Letter of Engagement that would be agreed prior to the commencement of work. We would also provide you with a schedule of the records that we will require to be made available at the time of our visit.

I hope that this quotation is sufficient for your purposes but should you require any further information please do not hesitate to contact me.

Yours sincerely



Kevin Rose ACMA
Director

Pre-Qualification Statement

Company name:

IAC Audit and Consultancy Ltd (IAC)

Company background and experience:

IAC have been providing internal audit services to town and parish councils for more than 5 years and now audit over 100 town and parish councils. The operations of IAC are managed by the Audit Director Kevin Rose, who is a CIMA qualified accountant. Kevin has worked in both the public sector, as an Internal Auditor with Wiltshire County Council, and in the private sector where he has worked as a Finance Director as well as a member of various audit committees.

Kevin is supported by an assistant internal auditor (AAT qualified) an office administrator and two part time staff (ACCA and CPA qualified).

Primary Point of Contact

Kevin Rose will be the primary point of contact for the Council

Potential Conflicts of Interest

IAC does not provide any other services to Cullompton Town Council that may constitute a conflict of interest.

There are no known personal relationships between IAC and Cullompton Town Council Council officers or councillors that may provide a conflict of interest

Client References

Tiverton Town Council Town Hall, St Andrews Street, Tiverton EX16 6PG	Honiton Town Council Council Office, The Beehive, Dowell Street, Honiton EX14 1LZ
---	--

Further references may be provided on request.

Audit methodology

The detailed requirements for the Internal Audit of Town and Parish councils are set out in 'The Practitioner's Guide' issued by JPAG.

1. Appointment

In accordance with the requirements of the Guide upon successful appointment the first stage is to put in place an Engagement Letter which sets out the basis of the appointment, the term of the appointment, and the fees and charges that will apply.

The form of this letter is standard for each client, with changes only being made to reflect the man day requirement and level of fees.

2. Audit Risk Assessment

In order that the audit work may be properly planned and resourced an initial Audit Risk Assessment is undertaken. This calculates a 'risk score' that may then be used to plan the audit work, typically over a three year period.

The Audit Risk Assessment is prepared by IAC for the Council, to assist it in determining what level of audit coverage is appropriate for the Council. It is the responsibility of the Council as a whole to ensure that it maintains an 'effective' level of internal audit. Where requested IAC may offer advice to the council to assist it in planning the level of audit coverage.

3. Planning

IAC will plan the audit work to be undertaken to ensure that work undertaken is sufficient to provide an adequate level of assurance on the area subject to review. This will include the preparation of necessary checklists, the selection of samples, the allocation of appropriately qualified resources, and the provision of adequate time to complete the work.

4. Reporting

The reports produced for the council should be both accurate and easy to understand. Where appropriate findings will be prioritised so that the council may clearly see those items which present a higher level of risk.

Where issues are identified that are of high potential impact, for example requiring a negative response to an item on the Annual Return, then a specific report may be written to council setting out the matters identified and proposed remedial actions.

Mrs J Morris
Cullompton Town Council
Town Hall
1 High St
Cullompton
Devon
EX15 1AB

12th August 2018

Dear Judy

Provision of Internal Audit services

As requested, I set out below our formal quote for the continuing provision of an internal audit service to Cullompton TC. Should any of your councillors wish to discuss any of the detail in this quote please do not hesitate to contact me.

By way of background information for the Council, I am the owner and director of this company, which was established to meet the requirements of the revised audit arrangements introduced with effect from the financial year beginning 1st April 2001. I have 35 years experience in the external audit of public sector bodies, the first 22 being spent on the audit of National Health Service clients, apart from a three-year break as Chief Internal Auditor of the Hong Kong Urban Council in the mid 1970s. Following the NHS reforms in 1990, I worked for the District Audit Service as an Audit Manager with responsibility for both Local Government District Councils and NHS bodies in Wiltshire, including management responsibility for all the parish and town councils in the three years prior to the establishment of this company in 2002. We also employ contractors to assist with the workload, details of their experience and qualifications may be found on our website councilaudit.co.uk – please note that our website is being updated currently to ensure full compliance with GDPR legislation). All contractors have previous audit experience and bring a wide range of skills and abilities to our team in order to provide a rounded and comprehensive service to our clients.

The company has been set up to provide an effective and efficient service to all councils across England and Wales ranging from the very small parish meeting to the largest councils previously subject to the full “Code” external audit service, primarily in response to the current audit arrangements, but also to give elected members and the electorate the same high degree of assurance that was provided under the previous arrangements.

For this reason, we deliberately set out to provide a high quality service to Councils. On completion of each audit visit, the Council will receive a detailed report identifying clearly the work undertaken during the review, any areas where we may perceive there to be a need for improved controls and also the dissemination of best practice gleaned from other clients across the country. We see it as our role not purely to sign off the Annual Governance and Accountability Return (AGAR), but to work with and provide the Council with a balanced service aimed at assisting the implementation of new legislation and ensuring that the Council is able to function in the most cost effective and efficient way possible.

We believe strongly that for internal audit to be effective it must be preventative rather than historical: consequently, we would, as previously, undertake an interim visit in the autumn,

followed by a final visit to complete our review programme for the year and sign off the A GAR Return.

We have held our fees for the past three years and will be increasing them marginally from £420 to £430 + VAT per day for 2018-19 : this would result in a total cost to the Council of £860 plus VAT for 2018-19 (as previously, no additional fee would be charged for work on the "Gift of A Burrow" Allotment Charity Accounts). This fee is all inclusive with no hidden extras such as mileage or overnight accommodation charges. Additionally, our service provides for cover age, assistance, advice and guidance throughout the year and, unless any excessive additional information is sought or research and / or additional work required, the above fee covers the full year. I would also advise that we have full indemnity insurance cover.

For your and members information, I have attached a copy of our outline work 2017-18 programme, which will be revised prior to commencing the 2018-19 round of reviews at our annual team meeting in September / early October and links closely with the IA certificate in the Annual Return, together with a specimen report for your and the Council members' perusal. The former is based on both my and my colleagues' personal experience in the audit of town and parish councils and the content of the Practitioners Guidance Notes on Governance and Accountability. Our reports aim to provide members, electors and the external auditors with assurance as to the soundness (or otherwise should that be the case) of the Council's inherent financial controls and to supplement the brief content of the Internal Audit Certificate in the Annual Return.

I also attach a copy of our standard Letter of Engagement for the Council and, in anticipation that members determine to re-appoint us as your internal auditors, would appreciate your signing and returning one copy to me. I look forward to hearing from you and trust that we may continue to be of service to the Council for 2018-19 and beyond . Once our appointment has been confirmed, Anne will contact you to arrange a mutually convenient date for the interim audit, which I anticipate will take place in mid-October.

Yours sincerely

Stuart J Pollard
Director