

Arc Accounting & Business Solutions Limited
4 Shortlands
Yettington
Devon
EX9 7BN

East Budleigh with Bicton Parish Council
15 High Street
East Budleigh
Budleigh Salterton
EX9 7DY

22 March 2017

Dear Sirs

Provision of internal audit services in connection with your annual report

Thank you for appointing Arc Accounting & Business Solutions Limited. Services will be provided on terms which are described in this letter and the attached terms of business and these form the agreement between us, governing our appointment as internal auditor to the Council.

We are bound by ICAEW's Code of Ethics and accept instructions to act for you on the basis that we will act in accordance with these ethical guidelines.

Background

A smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 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.'

Internal auditing is an independent, objective assurance activity designed to improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit does not involve the detailed inspection of all records and transactions of an authority in order to detect error or fraud.

Scope of services

We will review and report to the Council on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

It is the responsibility of the Council to prepare, publish and provide us with the accounting statements prepared for the financial year, together with such additional information and explanation as is necessary to provide sufficient evidence that it has reviewed and maintained adequate systems of internal control throughout the financial year.

The internal audit will assess whether:

1. Appropriate accounting records have been kept properly throughout the year.
2. This smaller authority met its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
3. This smaller authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
4. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
6. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.
7. Salaries to employees and allowances to members were paid in accordance with this smaller authority's approvals, and PAYE and NI requirements were properly applied
8. Asset and investment registers were complete and accurate and properly maintained.
9. Periodic and year-end bank account reconciliations were properly carried out.
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

Limitation of Liability

We will provide services as outlined in this letter with reasonable care and skill. Our liability to you is limited to losses, damages, costs and expenses caused by our negligence or wilful default. However, to the fullest extent permitted by law, we will not be responsible for any losses or penalties if you or others supply incorrect or incomplete information, or fail to supply any appropriate information or respond promptly to communications from us.

You will not hold our firm or principal responsible, to the fullest extent permitted by law, for any loss suffered by you arising from any misrepresentation (intentional or unintentional) supplied to us orally or in writing in connection with this agreement. You have agreed that you will not bring any claim in connection with services we provide to you against any of our partners or employees personally.

Unless there is a legal or regulatory requirement to do so, our work is not to be made available to third parties without our written permission and we will accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

Communicating with you

We will communicate with Judith Lumsden in relation to the affairs of East Budleigh with Bicton Parish Council, in her position of Clerk to the Council.

AGREEMENT OF TERMS

Period of engagement

This engagement will be for the internal audit of the year ending 31 March 2017. The provision of internal audit services is based on an annual cycle, denoting separate engagements.

This letter supersedes any previous engagement letter for the period covered. Once agreed, this letter will remain effective from the date of signature for this annual cycle of internal audit review, being in respect of the year ended 31 March 2017. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing.

Fees

A fixed fee of £150 is agreed for this annual cycle of internal audit review, being for the year ended 31 March 2017.

Unless specifically agreed, payment of our invoices is due within 30 days from the date of the invoice.

Confirmation of your agreement

This letter, together with the attached schedules, constitutes the entire contract between us and any proposed variations or termination must be given in writing.

The terms set out in this letter shall take effect immediately upon your countersigning this letter and returning it to us. If we are instructed to start work before receiving a signed copy of this letter we will treat that as acceptance of all the terms of this engagement letter, unless we hear from you to the contrary within 14 days of you giving that instruction. You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty.

Please confirm your agreement to the terms of this letter and the attached terms of business by signing and returning the appointment acceptance below, together with a copy of this letter. If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

CONSUMER CANCELLATION RIGHTS

Right to cancel

You have the right to cancel within 14 days without giving any reason. The cancellation period will expire after 14 days from the date you enter into the contract.

To exercise your right to cancel, you must inform us of your decision to cancel this contract by a clear statement (eg, a letter sent by post, fax or email).

To meet the cancellation deadline, it is sufficient for you to send your communication before the cancellation period expires.

Effect of cancellation

If you cancel this contract, we will reimburse you for all payments received from you. We will make the reimbursement without undue delay, and not later than 14 days from the day on which we are informed about your decision to cancel the engagement. We will make the reimbursement using the

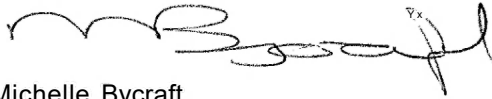
same means of payment as you used for the initial transaction, unless you have expressly agreed otherwise; in any event, you will not incur any fees as a result of the reimbursement.

Commencement of services

We will not begin work on the schedule of services before the expiry of the cancellation period unless you specifically instruct us to do so.

If, during the cancellation period, you asked us in writing to begin the performance of our services and then cancelled, you will pay us a proportional amount for our services performed up to the date of your cancellation, compared with the total amount for the whole assignment.

Yours sincerely



Michelle Bycraft
Arc Accounting & Business Solutions Limited

J. White
Chair of: EBPC PP.