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Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Oakham Town Council		
Name of Internal Auditor:	Terry Brown	Date of report:	11/02/2021
Year ending:	2021	Date audit carried out:	January 2021

Internal audit is the periodic independent review of a council's internal controls resulting in an assurance report designed to improve the effectiveness and efficiency of the activities and operating procedures under the council's control. Managing the council's internal controls should be a day-to-day function of the staff and management and not left for internal audit.

The council is required to take appropriate action on all matters raised in reports from internal and external audit and to respond to matters brought to its attention by internal and external audit. Failure to take appropriate action may lead to a qualified audit opinion.

To the Chair of the Council:

In accordance with the terms of my engagement I have undertaken a review of Oakham Town Council's records, policies and procedures at January 2021 and I enclose a completed and signed Internal Audit Report.

There is continued clear evidence throughout both finance and governance of procedures that will provide parishioners with confidence in the administration of their Town Council. Minutes remain detailed and yet specific to the agenda item.

This Internal Audit focussed on the issue of Reserves.

The July 2020 LRALC Internal Audit Report recommended that the Council extend its use of Committees to include a Finance Committee. It is encouraging that the Clerk reports that, as a consequence of the recruitment of new Councillors, this has now been done.

It is recommended that attention be paid to Reserves and an updated Reserves Policy.

The Summer 2019 IAR drew attention to this need and the July 2019 meeting of the Finance Working Group indicated an imminent update to the Reserves Policy (but not as yet implemented).

At December 2020 funds were reported as £414K. The 2020-21 budget was set at £407K of which £275K was recurring expenditure and £132K for capital projects. The 2020-21 precept was kept in line with that of previous years, set to £285K and achieved by the withdrawal of £105K from Reserves.

At December 2021 all bar £18.5K of the capital projects element of the budget had not been consumed (due to Covid).

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The current Reserves Policy lists three elements: Ear marked reserves(EAR), General Reserves Risk Assessment (GRRRA) and a General Reserve (GR).

EAR is shown as approximately £50K at the year-end 31.3.20. GRRRA is set at £72K of which £50K is to provide for the "life of asset to be overestimated or fail prematurely". Approximately 50% of the assets are shown in the form of play equipment.

If EAR and GRRRA remain extant the General Reserve would seem to be a very small percentage of precept. However, if those Reserves have been vired then the General Reserve might approach some 40%

The current Reserves Policy sets a target for General Reserves to between 25 to 50% of precept.

Therefore, it is recommended that:

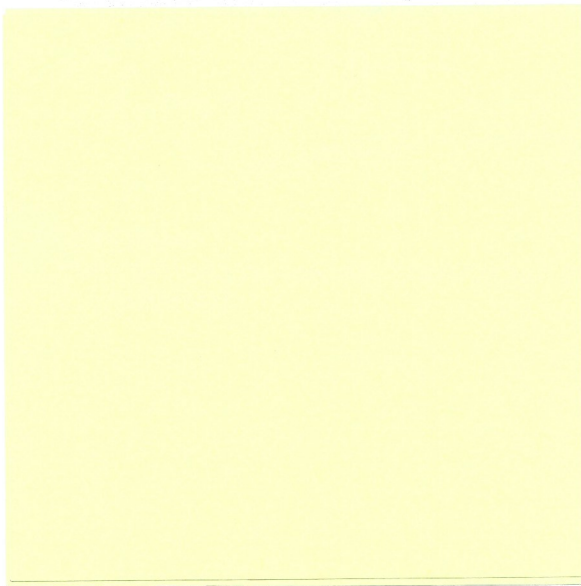
Reserves Policy be updated.

And that Councillors are routinely updated on the Reserves position with a reconciliation between all cash and bank holdings to the total of reserve and its constituent parts.

And that any virement of reserves be clearly reported.

This report is based on the evidence made available to me. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a council in order to detect error or fraud. Consequently, the report is limited to those matters set out.

Yours sincerely,



on behalf of LRALC

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