

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:	8/6/2023
Year ending:	31st March 2023	Date audit carried out:	June 6 th 2023

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 for the financial year ending 31st March 2023 and I enclose a completed and signed Annual Internal Audit Report for the AGAR 2022/23.

The internal audit exercise involves the testing of the evidence of and evidence of compliance with the 15 statements contained in the Annual Internal Audit Report of the Annual Governance and Accountability Return (AGAR)

The statements refer to:

- A. Maintenance of proper financial records
- B. Compliance with the Council's Standing Orders, Financial Regulations and proper accounting for VAT
- C. Adequacy of risk management arrangements
- D. Effective budgeting and budgetary control
- E. Identification of income due and timely collection and banking of such monies
- F. Proper administration of petty cash (where appropriate)
- G. Proper administration of salaries of employees and expenses paid.
- H. Maintenance of an accurate and reliable asset register
- I. The completion of regular bank reconciliations
- J. The correct basis and accurate preparation of year-end accounts
- K. Whether the Council has met its responsibilities as a trustee (where appropriate)
- L. Correctly applying the exercise of public rights during the previous year period.

This report is based on a visit to Oakham Town Council offices on Tuesday 6th June and an inspection of documents to be found on its website.

Oakham Town Council is one of the larger LRALC Councils with a complement of 12 Councillors and a precept in excess of £250K

Oakham Town Council has continued to be seriously affected by significant staffing changes in the past year. The permanent appointment was temporarily replaced with a SLCC provided Locum but since the beginning of 2023 most of the Clerk role has been assumed by a (Cilca trained) Councillor working closely with the longstanding Assistant Clerk and a Finance Committee of two other Councillors.

Up to the end of 2022 Councillors became increasingly concerned at the quality and timeliness of accounting information presented to the monthly meetings. Reconciliations were not routinely provided and numerous errors were unexplained.

Internal control objective A,I,J - NO

The Councillor acting as Clerk has restored most of the confidence to the accounting procedures working in conjunction with external support from Rialtus to provide the year end reports. This was confirmed with an examination of a dozen transactions.

However some further work needs to be carried. The Town Council is in the process of interviewing for a new permanent appointment of Clerk.

The Petty Cash system has been stopped because of an unexplained deficit of £139.

Internal control objective F – NO

The 2022 Internal Report noted some degree of variance between actual and budgeted costs not all of which could be explained by the exceptional background that Councils have had to contend with in the previous 12 months. A high degree of budget accuracy is expected in order to justify the precept demand.

This area has been subject to review. Variances in budget outcomes were examined and all satisfactorily explained; for examples salaries because of the recruitment of an additional part-time groundsman.

The 70% uplift in Fixed Assets was explained by a revaluation of Assets. The previous 2022 Internal Report noted that the Asset register has not been updated and that there would be scope for a discussion to be had following the receipt of a revaluation document.

It was agreed that policies will need to be re-examined by the newly appointed Clerk.

Complaints continue to be made to the External Auditor incurring in the latest instance a bill of over £7000. Many of the complaints were found to be vexatious.

Public reporting for AGAR requirements has been incomplete.

Internal control objective L,M,N – NO

The 2022 item 3 total other receipts has been restated from £10917 to £19577 and the Section 2 Accounting Statements 2022/23 should be marked as such.

The 2022 item 6 All other payments has been restated from £225827 to £234487 and the Section 2 Accounting Statements 2022/23 should be marked as such.

I thank Councillor Lowe for his extensive help in carrying out this Audit

27/06-20

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,



Terry Brown
Internal Auditor to Oakham Town Council on behalf of LRALC
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The figures submitted in the Annual Governance and Accountability Return are:

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	368049	367689
2. Annual precept	275595	228000
3. Total other receipts	19577	33177
4. Staff costs	55537	64687
5. Loan interest/capital repayments	5508	5508
6. Total other payments	234487	253370
7. Balances carried forward	367689	305301
8. Total cash and investments	354009	302407
9. Total fixed assets and long-term assets	1044216	1726262
10. Total borrowings	10762	0

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2018)*. It is a guide to the accounting practices to be followed by local councils and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2019-sections-1-5-1.pdf>

14/06-06

Annual Internal Audit Report 2022/23

OAKHAM TOWN COUNCIL

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During the financial year ended 31 March 2023, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2022/23 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.		<input checked="" type="checkbox"/>	
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="checkbox"/>		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<input checked="" type="checkbox"/>		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.		<input checked="" type="checkbox"/>	
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
H. Asset and investments registers were complete and accurate and properly maintained.	<input checked="" type="checkbox"/>		
I. Periodic bank account reconciliations were properly carried out during the year.		<input checked="" type="checkbox"/>	
J. 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.		<input checked="" type="checkbox"/>	
K. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")			<input checked="" type="checkbox"/>
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.		<input checked="" type="checkbox"/>	
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).		<input checked="" type="checkbox"/>	
N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).		<input checked="" type="checkbox"/>	
O. (For local councils only) Trust funds (including charitable) - The council met its responsibilities as a trustee.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken

6/6/23

Name of person who carried out the internal audit

T. Brown

Signature of person who carried out the internal audit

Date 8/6/23.

*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned; or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed).

14/06-00
1. Annual Internal Audit Report 2022/23 response.

Internal Control Objective	Implications	Actions
A	Current and future AUDITS, payments and other checks would not be able to be carried out. Limits the Councils ability to budget.	The Office is currently, since March, been archiving files and cataloguing them. New folders clearly marked have been created, initially from March to ensure annual archiving can be completed, each month a reconciliation is taking place with back ups.
F	Petty CASH could of and was found be unaccounted for, missing receipts meant the Council was unable to claim VAT it may have been entitled to do. Based on the sum of cash missing the impact was low when it was identified.	The Council resolved to stop using a Petty CASH function. No CASH is kept on the premises and all transactions previously would either be made by cheque, BACS. This would include reimbursement of expenditure upon production of a valid receipt.
I	Councillors validation of payments and opportunity to challenge payments meant that duplications, payments and in error and inappropriate and or unlawful transactions may not have been identified.	A CiLCA qualified Councillor initially took over monthly reconciliation and presents these to Council, all BACS payments are made by the Deputy Clerk. The Deputy Clerk has access to Bank Accounts and payments whilst the Councillor has access only to the RIALTAS system of accounting. As A reconciliation is happening now.
J	Failure to keep paper records and reconcile make it difficult to validate the years budget agree expenditure. Incorrect logging of payments on the accounting system will make the annual agreed budget difficult to reconcile and impact the following years budget plan.	Diligence and record keeping has been improved and where payments had been made without capturing and saving payees on the Rialtas system this has now changed and regular payee details are captured and saved with appropriate VAT numbers entered and against the payee. Files and documents are being kept in better order.
L	Breach of legislation could leave the Council open to prosecution if this breaches law and or retribution damage.	The Council, specifically the CiLCA qualified Councillor, another Councillor who updates the website and the Deputy Clerk are working together to ensure that future public domain documents required on the website are published.
M	Breach of legislation could leave the Council open to prosecution if this breaches law and or retribution damage.	The Council, specifically the CiLCA qualified Councillor, another Councillor who updates the website and the Deputy Clerk are working together to ensure that the Council fulfils the requirements in regard to public rights to access and the accounts and notices are also on the website.
N	Failure to submit a completed AGAR can result in penalties and enforcement action by the relevant authorities. Reputational damage.	The Council have reached a point with the completion of the 2022/23 AGAR and ensured complete transparency to the internal audit in June 2023 to mitigate future risk.

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