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| **Leicestershire and Rutland ALC** | **IAS** |

**Internal Audit Report**

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

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| Name of council: | Oakham Town Council |
| Name of Internal Auditor: | John Marshall | Date of report: | 24.04.2024 |
| Year ending: | 31 March 2024 | Date audit carried out: | 24.04.2024 |

*Internal audit is the periodic independent limited assurance 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 council through its staff and management and not left for internal audit. 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. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.*

*The proper practices referred to in Accounts and Audit Regulations are set out in the current version of the Practitioners Guide 2024. 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.*

***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 Chairman of the Council:**

By mutual agreement, I met with Chris Evans, Town Clerk & RFO on 24 April via an online meeting platform to carry out the year-end internal audit of the council. I would thank Chris for his co-operation and assistance in delivering the audit. I note and recognise that in the early part of this audit year, the council continued to experience the staffing difficulties mentioned by the LRALC appointed Internal Auditor in last year’s narrative report, the consequences of which are as evidenced in the 2022-23 Annual Internal Audit Report (AIAR). A permanent replacement (Chris Evans) is now in post and whilst there is evidence of a steady and positive improvement in governance and accountability arrangements, regrettably several weaknesses continued to exist in the first half of the year in respect of the delivery of a number of the internal control objectives resulting in ‘no’ markings against several key items in this year’s AIAR, as detailed below.

At this point, it is worth providing a brief comment on the context for internal and external audit. The rationale for internal audit is set out in the rubric at the head of this report; in essence I am required to test all the aspects of the council’s internal controls that the AIAR requires me to consider and then, based on the information made available to me to indicate whether I am satisfied that in all significant respects, the internal control objectives were achieved throughout the financial year to a standard adequate to meet the council’s needs. Useful commentary regarding external audit can be found in the notes on pages 1 and 2 of the AGAR and the current (2024) version of the Practitioners’ Guide, sections 1 and 2 of which set out the ‘proper practices’ that in turn derive from the Accounts & Audit Regs 2015 (as amended) and as such, are mandatory for compliance.

In conducting this audit, I firstly examined the publicly available information displayed on the council’s website including the council’s policies, procedures, agendas, minutes, financial and other records. I sought evidence and confirmed that the previous year’s Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council. Receipt of both had been reported and accepted (IA, minute 06/23-09) and the EA’s AGAR section 3 report is reported in minute 12/2023-10. This records that the External Audit resulted in *‘…a qualified pass, most if not all the comments were regards administrative errors rather than issues with procedure or finances*.’ In both cases, the Minutes are silent regarding any remedial action that the council resolved to take and as such the council should answer ‘no’ to question 1.7 in section 1 of the 2023-24 AGAR.

I then examined the council’s arrangements for the management and control of its business in the areas of bookkeeping, due process (ie compliance with the ‘proper practices’), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures including compliance with the display of information and the exercise of public rights. Where necessary, through questioning and the inspection of hard copy data at the audit meeting I obtained supplementary evidence to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the AIAR.

Based on my review of the publicly available information displayed on the website and my discussions with Chris, due to either insufficient or a lack of evidence I have answered ‘no’ to six of the specific internal control objectives set out in the AIAR. In these circumstances, I am required to provide further explanatory commentary as follows;

***A and I. Appropriate accounting records have been properly kept throughout the financial year. No.***The details of receipts, payments and bank balances appear not to have been reported at every meeting of the council, especially in the early part of the year. By way of example, at the meeting of 10 May, minute 18.2 and 18.3 record that late payments data and the bank reconciliation are ‘to follow’ without evidence of that data being subsequently presented or approved and the 11 October meeting, draft minute 12/23-09 records a request (agreed by the council) for more clarity to aid understanding of the remit for payment. Whilst the process was erratic, the council uses the Rialtas accounting software package that includes an output providing the AGAR section 2 figures and my limited assurance review does not give rise to any reason to doubt the figures.
  ***B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for. No.***There is little or no explicit evidence of the application of many of the financial elements of council’s ‘Systems of Internal Control’ procedure dating from 22 April 2021, (re)adopted by the council on 13 March 2024; the omission of a periodic review of variable amount direct debits is particularly important. I noted that much of the financial management and related activities are devolved to the Finance Committee whose Terms of Reference (ToR) are therefore wide ranging. However caution is needed because the ToR include activities such as dealing with issues raised by internal and external audit and the management of the Risk Assessment. Whilst it is perfectly acceptable and indeed sensible to devolve this type of activity, the committee must then report its findings and make recommendations to the full council for consideration and approval; note particularly that the review of the risk assessment is a matter expressly reserved to the council by the Accounts & Audits Regs 2015.

 ***C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. No.***The website shows a Risk Assessment adopted in September 2021 but with no subsequent review or (re)adoption. The RA was not in list of policies and procedures to be devolved to a Working Group for review at the 14 June meeting (see minute 06/23-17) and no work appears to have been done to progress this matter, despite its specific mention as an ‘except for’ item in the EA’s report last year. This is now a priority item requiring attention.  ***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. No.***

The ’no’ mark relates to the first half year performance. I reiterate the council uses the Rialtas accounting software package and I am satisfied that the financial reporting and payment approval arrangements to the full council that are now in place meets the required standard.

***L. The authority published the required information on a webpage up to date at the time of internal audit in accordance with the relevant legislation.***The council’s turnover exceeds £200,000 and as such there is a requirement to publish information as required by the Local Government Transparency Code 2015, available here
<https://www.gov.uk/government/publications/local-government-transparency-code-2015>
Not all of the required information, details of which are in the annex was published.

I identified one further issue regarding the frequent, almost habitual use during the year of ‘closed’ parts of meetings for items of, normally unspecified confidential business. Because the default position is that meetings are open to the press and public, a meeting can only be closed and the press and public legally excluded after the council passes a resolution to that effect. It is also the case that it is the ***business*** that is confidential, not the ***minute*** and after the meeting has been re-opened to the press and public, there should always be a ***brief minute*** that records the outcome. LRALC will be able to provide you with guidance on how to manage and record items of confidential business.

I have completed and signed off the Annual Internal Audit Report as required.

John Marshall, CiLCA

Internal Auditor to the Council

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***Have comments from the internal audit 2022-2023 been addressed?***

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| **Recommendation 2022-2023** | **Comment** |
|  | No  |

***Areas in the 2022-2023 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked***None**.**

***Recommendations for action 2023-2024***

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| **Areas for consideration or improvement** | **Recommendation** |
|  | See this report, above |

*The figures submitted in the Annual Governance and Accountability Return are:*

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|  | **Year ending31 March 2023** | **Year ending31 March 2024** |
| 1. Balances brought forward
 | 367,689 | 305,301 |
| 1. Annual precept
 | 228,000 | 262,675 |
| 1. Total other receipts
 | 33,177 | 69,416 |
| 1. Staff costs
 | 64,687 | 57,903 |
| 1. Loan interest/capital repayments
 | 5,508 | 0 |
| 1. Total other payments
 | 253,370 | 288,451 |
| 1. Balances carried forward
 | 305,301 | 291,038 |
| 1. Total cash and investments
 | 302,407 | 289,228 |
| 1. Total fixed assets and long-term assets
 | 1,726,262 | 1,658,162 |
| 1. Total borrowings
 | 0 | 0 |