

Summary Internal Audit Report

Council:	UPPINGHAM TOWN COUNCIL		Year ending:	31 March 2019
Internal Auditor:	Richard Willcocks		Date of report:	22/05/2019
Audit review date(s)	Interim	10/01/2019	Final	10/05/2019

To the Chairman of the Council:

1. Introduction

In accordance with the terms of my engagement, I have undertaken a review of **Uppingham Town Council's** records, policies, and procedures for the financial **year ending 31 March 2019**, following which I completed and signed the Annual Internal Audit Report 2018/19 (part 3 of the Annual Governance and Accountability Return 2018/19).

2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, introduced in 2018, in conjunction with the Practitioners' Guide to Governance and Accountability in Local Authorities.

The scope of this internal audit is focused on assessing the effectiveness of the Council's internal controls. Where any such controls are found to be deficient, the internal audit will help lead to improvement in those processes.

By applying the principles of internal auditing, outlined in the current Accounts and Audit Regulations and applying the approach to internal audit testing outlined in paragraph 1 above, every effort is made to ensure that all internal audits are conducted with due professional care, integrity and independence. All conclusions derived from the audit are based upon objective and traceable evidence.

2. Aims & Objectives

Uppingham Town Council has a statutory duty to complete an Annual Governance and Accountability Return (the Annual Return) at the end of each financial year. As part of this Return, the Council's internal audit function is required to provide assurance that relevant procedures and controls were operating effectively for the financial year above. The purpose of this exercise is to meet those statutory requirements and provide the Council with an appropriate level of assurance in support of the Annual Return.

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.

3. Scope of Audit

The internal audit exercise involves such testing of the evidence of and evidence of compliance with the 12 statements contained in the **Annual Internal Audit Report** of the Annual Governance and Accountability Return (AGAR), as applicable to the range and financial materiality of the Councils' activities. 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
- 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.

L. Correctly applying the exercise of public rights during the previous year period.

NB: It would be incorrect to view internal audit as the detailed inspection of all records and transactions of the Council in order to detect error or fraud. It is the periodic independent review of a Council's internal controls resulting in an assurance report designed to improve 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 councilors and not left for internal audit. (Source: Governance and Accountability for Local Councils-A Practitioners' Guide-2019)

4. Findings

The outcomes of the recommended testing required for assurance purposes is shown in the following documents provided under separate cover:

- Internal Audit Checklist.
- Internal Audit Checklist-Appendix 1: Key Policies, Procedures & Documents Review.
- Internal Audit Checklist-Appendix 2: Transaction Spot Check.
- Internal Audit Process (available on request)

5. Recommendations

Audit Year Raised	Internal Audit Report Checklist			Compliance Category *	Comments
	Section	Ref	Recommendation		
2019	2.Due.Process	2.6	That the Council should ensure that adequate provision is made to cover the duties of the outgoing Clerk after leaving and prior to the appointment of a replacement, should that occur.	2 (OFI)	Any 'recruitment gap' needs to be effectively managed to ensure the day to day work of the Council continues.
2019	7.Bank Reconciliations	7.4	That the Assistant Clerk should be added, and the outgoing Clerk removed from the bank mandate.	2 (OFI)	Following the May 2019 election all existing council signatories were re-elected to the Council i.e. no additional changes required.
2019	11.Cemetery	11.1	It is understood that the cemetery regulations are currently being reviewed to bring them up to date. When this review is completed and approved, the revised regulations should be published on the Council website.	2 (OFI)	The current cemetery fees are published on the Council website (and updated regularly), but not the cemetery regulations.

6. Other Comments/Observations

Of the three recommendations made in section 5 above, one may not require any action i.e. the new Clerk is appointed soon and there is little or no recruitment gap occurring, and another recommendation is currently in hand i.e. the review of the cemetery regulations. Therefore, the overall internal audit opinion is: GOOD * and as such reflects very positively on the quality of work undertaken by the Clerk. Hopefully the Council will take due note of the recommendation above, to ensure that this good work is continued.

* = see Compliance Categories and Definitions of Internal audit assurance below.

7. Acknowledgments

The help and co-operation of Neil Wedge, Clerk to the Council, is much appreciated by the internal auditor.

Yours sincerely,



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COMPLIANCE CATEGORIES

1. Compliant:	Adherence with the requirements of the audit question. No major or minor non-conformances found.
2. Opportunity for Improvement (OFI):	A situation or condition of internal control that may be weak, cumbersome, redundant, overly complex, or in some other manner, may, in the opinion of the internal auditor, offer an opportunity for the Council to improve its current status. OFI's do not necessitate any immediate remedial action on the part of the Council; however, the Council should give them serious consideration in view of the internal auditor's knowledge and exposure to similar controls and processes. An OFI may be an improvement to the internal control system or could prevent future problems.
3. Minor Non-compliance:	A non-compliance that, based on the judgment and experience of the internal auditor, is not likely to result in the failure of the internal control system or reduce its ability to ensure effective control is maintained. It may be either: <ul style="list-style-type: none"> 1. A failure in some part of the Council's internal control and assurance relative to a specified requirement. 2. A single observed lapse in following one item of testing of the Council's internal controls.
4. Major Non-compliance:	The absence or total breakdown of an internal control process necessary to meet a specified requirement. A number of minor non-compliances against one requirement can represent a total breakdown of an internal control process and thus be considered a major non-conformity. Any non-compliance that would result in the probable delivery of a non-conforming service or action by the Council. Conditions that may result in the failure of or materially reduce the usability of the Council's services for their intended purpose. A non-compliance that, in the judgment and experience of the internal auditor, is likely to either to result in the failure of an internal control process or to materially reduce its ability to assure effective internal control.

INTERNAL AUDIT ASSURANCE DEFINITIONS

AUDIT OPINION	EXPLANATION
GOOD	There is a sound system of internal control designed to achieve the Council's objectives. The internal control processes tested are being consistently applied.
ADEQUATE	While there is a basically sound system of internal control, there are weaknesses, which may put some of the Council's objectives at risk.
LIMITED	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
UNSATISFACTORY	Control processes are generally weak, leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.