

Summary Internal Audit Report

Council:	UPPINGHAM TOWN COUNCIL		Year ending:	31 March 2020
Internal Auditor:	Richard Willcocks		Date of report:	03/06/2020
Audit review date(s)	Interim	n/a	Final	26/05/2020

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 2020**, following which I completed and signed the Annual Internal Audit Report (part 3 of the 2020 Annual Governance and Accountability Return).

2. Basis of Report

This internal audit report is based upon the National Association of Local Councils (NALC) recommended checklist, 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		
2020	4.Budget	4.6	That when minuting the approval of the annual budget and the precept, that the total budget (i.e. total expenditure requirement) is minuted, as well as the precept amount. See section 4.6 of the Internal Audit Report Checklist for the specific wording recommended.	2 (OFI)	This wording is as recommended by LRALC in a parish council Governance Health Check undertaken in 2018 and is aimed at ensuring best practice is applied.
2020	7.Bank Reconciliations	7.4	That the mandate for the CCLA Deposit account is updated to add the current Clerk (Debbie Bettles) and to remove the former Clerk (Neil Wedge).	2 (OFI)	This would complete the required changes to all the bank mandates following the change of Clerks.
2020	13. Miscellaneous	13.1	That both the internal and external audit reports should be presented to the Council as separate agenda items going forward and that agreed actions to address any recommendations made should be minuted.	2 (OFI)	There is no evidence that this 2019 external audit report was presented to the Council for review, approval and minuting, although it has been published on the Council's website.
2019	13. Miscellaneous	13.3	That Council reviews its eligibility to undertake the General Power of Competency. See detailed comments about this recommendation in the Internal Audit Checklist.	3 (MinNC)	If it is eligible for this year, based on the previous Clerk being CiLCA qualified, then will it still be able to re-affirm eligibility the following year i.e. with a CiLCA qualified Clerk?

6. Other Comments/Observations

It should be noted that this internal audit report covers the financial year to 31/03/2020 and therefore the impact on the Council of the coronavirus epidemic was not considered to be significant up to that date. However, at the time of writing this report the country is still in a lockdown situation, which is having a major impact on organisations of all sizes, both economically and logistically. Uppingham Town Council will be affected to some degree, primarily because of non-precepted income that will be lost as a result of the ongoing

lockdown. e.g. market stall rents. Therefore, the Council should ensure that it monitors its finances regularly and stringently to ensure that it can continue to operate within its means i.e. it maintains a clear understanding of its current financial position and takes prompt action to address any significant adverse budget variances.

Perhaps the key recommendation made in last year's (2019) internal audit report was that there should be minimal recruitment gap following the departure of the Clerk, Neil Wedge and the appointment of his successor. This was addressed to some degree with a locum Clerk standing in prior to Debbie Bettles appointment as the permanent Clerk. That said, it is clear from the Council minutes that there were a number of accounting issues that Debbie had to pick up from this interim period and address before the financial year end. It is therefore encouraging to note from this internal audit those issues have now been resolved and an accurate set of year end accounts produced.

Of the recommendations made in section 5 above, the key one for Council to consider in my view is 13.3 and the Council's eligibility to apply the General Power of Competency. My understanding is that having adopted this power, the Council should reaffirm annually (at the Annual Meeting) that it is eligible to reapply it. This eligibility is subject to certain conditions (See 'Arnold Baker on Local; Council Administration, section 22.22 (1)'). One of these conditions is that Clerk is CILCA qualified and whilst the former Clerk was qualified, the current Clerk is not yet qualified. Therefore, the Council needs to confirm if it is currently eligible to apply this power (based on the former Clerk's qualification) and will it still be able to re-affirm its eligibility at the 2021 Annual Meeting if Debbie is not able to complete her CILCA qualification? I would suggest that appropriate advice is taken on this as soon as possible, particularly in respect of the current position.

Having flagged up the General Power of Competency as a potential issue for the Council, I am pleased to report that the other recommendations made last year have been satisfactorily addressed and that the remaining recommendations in section 5 above are considered to be Opportunities for Improvement (OFI), rather than any material non-compliance. Therefore, the overall internal audit opinion is: **GOOD *** and as such reflects very positively on the quality of work undertaken by Debbie Bettles since becoming Clerk in 2019.

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

7. Acknowledgments

The help and co-operation of Debbie Bettles, Clerk to the Council, is much appreciated by the internal auditor. In particular for agreeing to undertake the review meeting remotely i.e. a video conferencing meeting via Zoom. This ensured that the 2019/20 internal audit was completed within the normal time period, despite the difficulties encountered due to the coronavirus lockdown

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):	<p>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.</p> <p>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.</p> <p>An OFI may be an improvement to the internal control system or could prevent future problems.</p>
3. Minor Non-compliance (MinNC):	<p>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.</p> <p>It may be either:</p> <ol 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 (MajNC):	<p>The absence or total breakdown of an internal control process necessary to meet a specified requirement.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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.