

Internal Audit Report

Name of council:	Oundle Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	24.05.2017
Year ending:	31 March 2017	Date audit carried out:	23.05.2017

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. This report is based on the evidence examined and made available to us. It would be incorrect to view internal audit as the detailed inspection of every record and transaction of the Council in order to detect error or fraud. Consequently the report is limited to those matters set out below.

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:

I carried out the year-end audit of the Council on 23 May and met with Emma Baker, Clerk / RFO, Paul Smith, Finance Officer and Cllr Roy Sparkes. To put this visit in context, as well as completing section 4 of the Annual Return, I focussed on following up the issues identified at the in-year audit carried out on 21 December by myself and my colleague Helen Hoier, as set out in my report to the Council dated 28 December 2016.

For the benefit of any new readers of this report the Council, through Cllr Sparkes had requested that the in-year audit be undertaken prior to the newly appointed Clerk, Emma Baker taking up post in January 2017. The Council's intention in requesting this work was understood to be the desire to identify weaknesses in internal controls so that the Council could a) address those weaknesses and b) demonstrate to residents, electors and the wider outside world that it is doing so, as well as c) assisting the Council to perform better in the future. The Council also posed 5 specific questions, 3 of which were within the role and remit of internal audit to address, viz;

- what financial and other procedures were followed to keep Council and private business monies separate, whether they were adequate, and what measures need to be implemented in future
- procedures and practices relating to the use of Council Debit Cards and reimbursement of money spent by staff, Councillors and others on behalf of the Council
- procedures and practices relating to the cash recording and handling in the Hub cafe

and 2 of which were not, viz;

- a request to carry out a 100% check of '...all invoices, receipts and other supporting paperwork relating to transactions involving council debit cards and also in relation to reimbursement of money spent by staff, Councillors and others on behalf of the Council to verify whether or not they exist and are correctly recorded in [the Council's] accounts ... particularly during the period August 2015 to the present' [December 2016]

- to enable the Council 'to respond to a question from a member of the public ... to establish whether the figures used in 2015 to support our case that we are a Level 4 status came from our accounts'.

The December 2016 audit was the culmination of correspondence, meetings and discussions between the Council (Cllr Sparkes) and Northants CALC (Danny Moody), that entailed, amongst other things an explanation of the role and remit of internal audit coupled with the difference between investigation and audit. The scope and methodology of the work that internal audit would conduct (as outlined above) was reiterated by me to Cllrs Sparkes, Glen and Chesser at the outset of the 21 December audit. I referred to the rubric that appears at the head of all NCALC audit reports, including this one and to the conclusions from the prior work previously carried out in this area of the Council's business by another authority; I suggested that if the Council considered that these needs existed then it should consider engaging a forensic accountant as these issues were not for internal audit to address.

I take the trouble to reiterate this here because it is disappointing to note from minute 16.48.02 of the Finance and General Purposes Committee meeting of 28 March 2017 that *'It was agreed that the audit was not what was asked'* and that *'The specification for the audit, which was sent to the auditors beforehand was not met.'* I further note that *'It was agreed that the Clerk would write to Northants CALC to ask for them to address the items that were not carried out'* but I understand that no such request has been received.

I must also draw attention to the fact that the copy of the December in-year internal audit report posted on the Council's website is an edited version of the report submitted by me; one entire paragraph (first para on page 4 under para 3 'Consideration of procedures and practices relating to the cash recording and handling in the Hub café') has been removed. I was contacted by the Clerk in January regarding concerns over releasing the report to the public because this para contains factual information about the location for overnight storage of the till drawer (including cash). I was asked whether - and agreed that - the text mentioning the location could be redacted; this was confirmed in minute 16.176.03 of the extra-ordinary full Council meeting of 31 January 2017 but the end result is that the entire paragraph, including my comments regarding risk assessment, using this issue as an example has been removed.

Whilst this may be attributable to a misunderstanding, I am also concerned that the Council chose to discuss the audit report in a confidential part of the meeting, having excluded the press and public for this and the preceding 2 items of business, relating to staff pay and conditions matters and an upcoming Employment Tribunal hearing. It would have been entirely possible to discuss the report without verbally mentioning the few words that deal with the location and I consider that excluding the press and public from discussion of the audit report was an error of judgement on the part of the Council, that runs contrary to the requirements for 'openness' and transparency.

I also note at least two references in the minutes to inaccuracies in the in-year audit report; in this respect, nothing has been raised with either Northants CALC or myself and I would again draw the Council's attention to the rubric at the top of the report regarding the information made available to us being the basis on which the report was and is prepared.

Turning now to the most recent year-end audit, whilst progress has been made against many of the audit issues identified, this was not the case with the issue relating to the provision of Waitrose cards; indeed Cllr Sparkes produced his card, along with a Brakes Bros Council account card during the course of this visit. I enquired again about how and when the Council resolved to procure these cards as I can find no reference to it in either an Agenda or Minutes (see my December report). I was advised that the decision was (probably) taken at an extra-ordinary meeting of the full Council, during a closed session from which the press and public had been excluded and further that a minute to that effect

could probably be found; that in itself is a cause for concern, but I make no comment beyond that.

Policies and procedures identified in my earlier report have, in the main been updated or introduced as necessary and what I have seen is satisfactory. However, minute 16.48.03 of the Finance and General Purposes Committee meeting of 28 March 2017, that records the intention to approve the updated risk assessment at a (subsequent) full Council meeting indicates a technical breach of reg 6.1 (a) the Accounts & Audit Regulations 2015 (a copy of the Regulations was provided to the Council by me). Given the satisfactory work done, I have given the Council the benefit of the doubt in respect of question C in section 4 of the Annual Return; BDO, as External Auditor may disagree. I should also point out that this year-end audit preceded the Council's formal consideration of sections 1 and 2 of the Annual Return and as such, I have no knowledge of the Council's response to question 7 in section 1, the Governance statement.

Finally, I note at minute 16.48.04 of the Financial and General Purposes Committee meeting of 28 March 2017 that the Council is reviewing its internal audit service provider going forward. I would take this opportunity to advise you that I am no longer able to provide internal audit services to the Council and have advised Northants CALC accordingly. I wish the Council well in the future.

John Marshall
Internal Auditor to the Council
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The figures submitted in the Annual Return are:

	Year ending 31 March 2016	Year ending 31 March 2017
1. Balances brought forward	818,199	279,211
2. Annual precept	336,543	387,885
3. Total other receipts	317,970	190,643
4. Staff costs	234,259	262,861
5. Loan interest/capital repayments	42,120	59,851
6. Total other payments	917,122	275,688
7. Balances carried forward	279,211	259,339
8. Total cash and investments	269,607	258,936
9. Total fixed assets and long term assets	2,524,056	2,553,313
10. Total borrowings	457,152	446,572

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England (2017)*. 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.northantscalc.com/uploads/practitioners-guide-2017.pdf>

Accounts & Audit Regulations 2015

http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf