

Annual Internal Audit Report

(to be read in conjunction with Section 4 of the Annual Return)

Name of council:	Raunds Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	12.06.2015
Year ending:	31 March 2015	Date audit carried out:	11.06.2015

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 me. 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 Raunds Town Council on 11 June; thanks are due to Kate Houlihan, Clerk and RFO and her staff for their time and assistance. For the previous audit year, BDO as External Auditor raised no audit issues and the one issue raised by me, a suggestion that the Council review cemetery charges has been completed.

The Clerk is relatively new in post and the elections of 07 May produced a new Council that includes 10 new Council members. All of the Council's key policies and procedures have been scrutinised by me during previous audits and have been found to be fit for purpose. Accordingly, as these remain largely unchanged save for necessary updating to maintain their currency and recognising that some new members may be unfamiliar with the Council's procedures, the focus of this audit was a full and wide-ranging test and examination of the workings and the outcomes of those policies, procedures and systems to provide an assurance to the new Council that all remains in good order.

Through a combination of questioning and the examination of hard evidence, I tested the areas of;

- financial recording and reporting including VAT recovery,
- governance and due process including Standing Orders, record keeping and the preparation, maintenance and updating of policies and procedures,
- risk management including the adequacy of the insurance cover held by the Council and asset recording and control,
- budgeting, precepting and periodic financial monitoring including budget review,
- the Council's banking arrangements and the levels of earmarked and non-earmarked financial reserves held,
- employment issues including contracts and the proper payment of PAYE / NI and
- the appropriate use and renewal of powers available to the council including the potential to utilise the General Power of Competence, available to the Council under the Localism Act 2011 going forward.

Two issues were identified *viz*,

- the Council should identify which, if any of its land and / or property assets are currently not registered at the Land Registry and consider arranging for registration to take place. Experience has shown this to be a worthwhile and cost-effective measure for a Council to take, especially where boundaries are vague, assumed or poorly defined.
- the level of free cash reserves; at 31 March 2015, these stood at £386,772 around 1.4 times the precept. I understood that approx. £180,000 of that sum is reserves that are ear-marked both for projects and to cover various contingencies. The proper practices*, accessible via the link at the end of this report require an explanation (to the auditor) when the Council's year-end general reserve is significantly higher than the annual precept. The discussion that I had with Kate satisfies that requirement and I am satisfied that some of the ear-marks are appropriate. That said, it is important that projects for which funds are ear-marked are kept under regular review to ensure that each project remains relevant and clearly defined in terms of its time scale and delivery. Priorities change and it is not uncommon to find that a project that is today's 'hot topic' drifts to become tomorrow's aspiration, at which point the allocated funds may cease to meet the standard for ear-marked reserves. The Council should consider and review the current ear-marking by reference to the proper practices (see paras 2.25 and 2.26 of The Practitioners' Guide) during the course of the current year and certainly before the next round of budget and precept setting.

Notwithstanding the above comments, I am satisfied that the Council has effective policies, procedures and systems in place to manage, monitor, control and deliver its business going forward. The Council is well served by its knowledgeable and competent Clerk and administrative support staff and I am also satisfied that the governance arrangements remain fit for purpose. Accordingly, I have signed off the Return as required.

John Marshall
Internal Auditor to the Council

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The figures submitted in the Annual Return are:

	Year ending 31 March 2014	Year ending 31 March 2015
1. Balances brought forward	279,490	383,736
2. Annual precept	271,808	277,244
3. Total other receipts	132,951	107,360
4. Staff costs	82,674	99,485
5. Loan interest/capital repayments	27,418	27,418
6. Total other payments	190,421	235,546
7. Balances carried forward	383,736	495,891
8. Total cash and investments	380,460	386,772
9. Total fixed assets and long term assets	3,626,669	3,657,926
10. Total borrowings	47,982	25,289

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Local Councils – A Practitioners’ Guide (England) March 2014*. 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.nalc.gov.uk/library/publications/803-governance-and-accountability-with-appendix/file>

