Northants CALC | IAS

Annual Internal Audit Report

Name of council:	Higham Ferrers Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	21.05.2014
Year ending:	31 March 2014	Date audit carried out:	21.05.2014

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.

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 Higham Ferrers Town Council on 21 May 2014. I would take this opportunity to thank the Clerk, Sandra Mitcham for her time and assistance.

In addition to the evidence based examination of the internal control measures that the Council has put in place to deliver the objectives identified in Section 4 of the Annual Return and as previously agreed as part of the Internal Audit Plan, I carried out an in-depth examination of one objective *viz* Objective C - assessment of the significant risks to achieving its objectives - as evidenced by the effectiveness of the Council in maintaining and improving services and service delivery to the community.

The *rationale* for this approach lies in the significant increase in workload (both volume and type of activity) that has arisen since last year's audit. The increase has been driven by a combination of ongoing national legislative requirements and issues (the Localism Act 2011, Neighbourhood Planning etc), locally driven initiatives to which the Council has been required to respond (the transfer of responsibility for public toilets, CCTV, school crossing patrols, grounds maintenance etc) and local initiatives initiated by the Council itself (eg floodlighting for the MUGA, a skate board facility, the need for additional cemetery land and events).

Most of these items are in addition to delivery of the Council's core business and the increase in workload has not been matched by a commensurate increase in resources available to deliver the increased workload; furthermore, the response to the new work items appears to be largely reactive rather than proactive, characterised by a lack of proper planning. This situation is in itself a business risk because it can both jeopardise the effectiveness of delivery of the core functions and lead to inefficiency or even errors and oversight; there is anecdotal evidence of the Council omitting to properly re-appoint the Internal Auditor, important work being put on the back burner (eg whilst the necessary work to implement the new NALC model Standing Orders has been completed, work to implement the associated new NALC model Financial Regulations has yet to commence due to competing priorities and short term pressures), minor mistakes being made and extra hours being worked routinely by staff.

Because the current situation presents a business risk, it must be properly assessed and managed. There are a variety of options and measures that the Council should consider to redress the imbalance between workload and resources, the most obvious being to reduce the workload or

increase the resources available. Whilst this is a self-evident and seemingly simplistic solution, implementing such an approach is more difficult so as an alternative, the Council should;

- consider any new work item or work stream to determine the resource requirements (time, staff etc), whether it is urgent, important or both and where the work sits in terms of its priority against existing work items and work streams. The key tests to apply at this stage are:
  a) is it for us to do or could it be done better or more appropriately by another body or authority?
  b) is it part of our core business or function?
  NB this might result in some projects not being commenced at this time or at all, which in turn will require expectations (of the public or Councillors) to be managed, but if accepted

- not initiate any work until an outline business plan has been prepared

- draw up a 1 and 3 (perhaps 5) year rolling plan of work. This will not only aid in the proactive management of the Council's projects and work streams but will also improve the likelihood of successful project implementation and reduce the risk of projects failing through a loss of momentum and subsequent petering out.

Turning now to the remainder of the internal control objectives, by examination of hard evidence and questioning, I tested all the aspects of the Council's internal controls that I am required to consider at Section 4 of the Annual Return. I understood that following the repeal of s150(5) of the Local Government Act 1972, the Council intends to move to internet banking. It is important that the Council's Risk Assessment together with the Financial Regulations are amended and updated, ideally by implementing the NALC new model issues to address this change. Notwithstanding the abovementioned comments and observations, I am satisfied that effective policies and procedures together with systems to manage, monitor and control the Council's business are in place. Accordingly, I was able to answer 'yes' to all relevant questions and have signed the Return as required.

Please do not hesitate to contact me for further advice and assistance, if needs be.

John Marshall
Internal Auditor to the Council

07505 139832
wjm.marshall@gmail.com

21 May 2014