

## **BRAUNSTONE TOWN COUNCIL**

**30th JUNE 2022**

### **Item 5 – Internal Audit Report 2021/2022 and Internal Audit arrangements 2022/2023**

#### **Purpose**

To receive the Internal Auditor's Report in respect of compliance with relevant procedures and controls in operation during the financial year ended 31st March 2022 and to appoint an Internal Auditor for 2022/2023.

#### **Roles and Responsibilities**

The Council members as a whole are responsible for ensuring that the Council maintains proper accounting records together with an appropriate system of internal control along with responsibility for the preparation of annual accounts and the completion of the 'Local Councils in England – Annual Return'.

The Council is required to appoint an Internal Auditor who is independent of the Council's Governance and Financial arrangements.

The internal auditor is responsible for reporting to the Council on the adequacy of the systems of internal control.

#### **Scope of Audit and Reporting Requirements**

In carrying out the internal audit, the auditor will have full regard to the guidance on Internal Audit set out in "Governance and Accountability for Smaller Authorities in England – A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements" (March 2021) published by the Joint Panel on Accountability & Governance. Section 4 sets out "Non-statutory guidance for internal audit at smaller authorities".

The Internal Auditor:-

- provides the Council with a written report of findings upon completion of the audit; and
- completes and signs the Internal Audit Section of the Annual Governance and Accountability Return.

#### **Audit Timetable**

Unless specifically required by the Council at any other stage during the financial year, the internal audit will commence after the end of year accounts have been finalised by the Responsible Financial Officer and prior to the meetings of Corporate Governance Sub-Committee and Policy & Resources Committee in June which will

consider the Annual Governance Statement and Accounting Statements alongside the Internal Audit Report.

### Appointment of Internal Auditor

The Town Council has used the Leicestershire and Rutland Association of Local Councils (LRALC) Internal Audit Service since 2017/18 which, for a fee, provides any member Council with a continually trained and developed, competent, independent, and indemnified Internal Auditor. The person appointed by LRALC to undertake Braunstone Town Council's Internal Audit is John Marshall.

Having received the Internal Audit for 2020/21, the Council agreed on 24th June 2021 (minute 5949) that the Leicestershire and Rutland Association of Local Councils Internal Audit Service be appointed to undertake the Town Council's Internal Audit for the Year Ending 31st March 2022. The fee, based on our electorate of 12,525, is £455.

### Internal Audit for 2021/2022

The Internal Audit was undertaken remotely during April and May and the Internal Auditor conducted a meeting with the Chief Executive & Town Clerk on Monday 23rd May 2022. A copy of the Internal Audit Report is attached at Appendix 1.

The Internal Auditor has completed the appropriate section of the Annual Governance and Accountability Return, which is attached at Appendix 2, to confirm that appropriate accounting arrangements are in place.

The Responsible Financial Officer has reviewed its recommendations, and in consultation with the Council's Management Team, has drafted a response to the Internal Auditor's Recommendations, which is attached at Appendix 3.

### Recommendations from Internal Audit 2020/2021

Three recommendations were made by the Internal Auditor in 2021 and the Action Plan was approved by Corporate Governance Sub-Committee, Policy & Resources Committee and Council in June 2021. All actions in the Action Plan were considered/implemented. The updated Financial Regulations were approved by the Annual Council meeting on 12<sup>th</sup> May 2022 (Council Minute 6026).

### Arrangements for 2022/2023 Internal Audit

This is the fifth year that the Council has used the Internal Audit service provided through Leicestershire and Rutland Association of Local Councils. Given the service is both competent and represents value for money; it is recommended that the Council appoint Leicestershire and Rutland Association of Local Councils to be the Council's Internal Auditor for 2022/23.

## Committee consideration of Internal Audit Report

The Internal Auditor's Report and associated Action Plan was considered by both Corporate Governance Sub-Committee and Policy & Resources Committee on 16th June 2022 and both approved the recommendations set out below (Minute 6).

### Recommendations

1. That the observations of the Internal Audit (attached at Appendix 1 of the report) and confirmation of compliance with the internal control objectives (attached at Appendix 2 of the report) be received and noted;
2. that the recommendation for improvement, along with the proposed response, as set out in the Internal Audit Improvement Action Plan (attached at Appendix 3 of the report), be adopted; and
3. that the Leicestershire and Rutland Association of Local Councils Internal Audit Service be appointed to undertake the Town Council's Internal Audit for the Year Ending 31st March 2023.

### Reasons

1. The Internal Auditor, having tested all the aspects of the Council's internal controls, was satisfied that in all significant respects the internal control objectives were achieved throughout the financial year to a standard adequate to meet the Council's needs.
2. To ensure that the observations of the Internal Audit would be addressed with appropriate and balanced measures.
3. To ensure arrangements were in place for compliance with Accounts and Audit Regulations.

# Leicestershire and Rutland ALC IAS

## Annual Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Braunstone Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	23.05.2022
Year ending:	31 March 2022	Date audit carried out:	23.05.2022

*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 made available to me. It would be incorrect to view internal audit as the detailed inspection of all records and transactions of a 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 met with Darren Tilley, Chief Executive and Town Clerk on 23 May to carry out the internal audit. I would thank Darren and his team for their assistance and co-operation in carrying out the audit. Prior to our meeting I examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. Because the legal relaxations concerning meetings were largely removed in May 2021, I particularly reviewed the reversion from virtual to face-to-face meetings to ensure that the council's processes and procedures had been properly re-set. The council continues to offer online access to its meetings and a proper attendance and participation protocol has been derived for members who are unable to attend in person.

I sought evidence and was able to confirm that the previous year's Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council.

In discussion with Darren, I reviewed the council's arrangements for the management and control of its business in the areas of bookkeeping, due process and governance (ie compliance with the 'proper practices' as set out in the Practitioners' Guide), risk management, budget setting and monitoring, payroll, asset register, bank reconciliations, internal control and year-end procedures and compliance with the display of information including the exercise of public rights to enable me to reach a conclusion regarding the enquiries I am required to make as set out in the Annual Internal Audit Report (AIAR) that forms part of the Annual Governance and Accountability Return (AGAR).

We discussed in some detail the arrangements the council has put in place to deliver compliance with the requirements of Financial Regulation 6, the instructions for the making of payments. The core requirement in reg 6.1 requires the council to make arrangements that are safe and efficient and I was able to confirm that the council meets that standard. That said, reg 6.6 that deals with variable direct debits could and probably should be reviewed by the council with consideration being given to reducing the frequency of review from 'at least every two years' to 'at least annually' thereby strengthening the safeguarding that this regulation provides. Whilst regs 6.7 and 6.8 contain similar wording the nature of the council's payment arrangements mean the case for review is less compelling.

Notwithstanding the above and despite a second year of change and upheaval as a result of the C-19 pandemic, the council is to be congratulated on continuing to maintain a high standard of delivery of its functions and services, an outcome that is the product of its readiness and resilience arrangements and governance arrangements that are consistently well above average.

I am pleased to be able to report that having tested all the aspects of the council's internal controls that I am required to consider, based on the information made available to me I am satisfied that in all significant respects, the internal control objectives were achieved throughout the financial year to a standard adequate to meet the council's needs. Accordingly, I have completed and signed off the Annual Internal Audit Report as required.

John Marshall, CiLCA  
 Internal Auditor to the Council  
 07505 139832  
[wjm.marshall1@gmail.com](mailto:wjm.marshall1@gmail.com)

The figures submitted in the Annual Governance and Accountability Return are:

	<b>Year ending 31 March 2021</b>	<b>Year ending 31 March 2022</b>
1. Balances brought forward	245,340	618,175
2. Annual precept	646,304	681,961
3. Total other receipts	1,124,855	172,030
4. Staff costs	485,278	434,301
5. Loan interest/capital repayments	66,628	94,186
6. Total other payments	846,418	657,362
7. Balances carried forward	618,175	286,317
8. Total cash and investments	621,657	243,221
9. Total fixed assets and long term assets	4,563,475	5,400,446
10. Total borrowings	1,128,008	1,061,862

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England (March 2021), A Practitioners' Guide*. A copy of the current guide is available for free download from this page:  
<https://www.pkf-littlejohn.com/services-limited-assurance-regime-useful-documents-and-links>

# Annual Internal Audit Report 2021/22

## BRAUNSTONE TOWN COUNCIL

www.braunstonetowncouncil.org.uk AVAILABLE WEBSITE/WEBPAGE ADDRESS

During the financial year ended 31 March 2022, this authority's internal auditor acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with the relevant procedures and controls in operation and obtained appropriate evidence from the authority.

The internal audit for 2021/22 has been carried out in accordance with this authority's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of this authority.

Internal control objective	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D. The precept or rates requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
G. Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Asset and investments registers were complete and accurate and properly maintained.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I. Periodic bank account reconciliations were properly carried out during the year.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
K. If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick "not covered")	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
L. The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
M. The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
N. The authority has complied with the publication requirements for 2020/21 AGAR (see AGAR Page 1 Guidance Notes).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
O. (For local councils only) Trust funds (including charitable) – The council met its responsibilities as a trustee.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

For any other risk areas identified by this authority adequate controls existed (list any other risk areas on separate sheets if needed).

Date(s) internal audit undertaken: 23/05/2022  
 Name of person who carried out the internal audit: W J Allen, Director of Finance  
 Signature of person who carried out the internal audit: [Signature]  
 Date: 23/05/2022

\*If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed)  
 \*\*Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, the annual internal audit report must explain why not (add separate sheets if needed)

**APPENDIX 3 – INTERNAL AUDIT IMPROVEMENT PLAN**

<b>Observation</b>	<b>Risk</b>	<b>Recommendations</b>	<b>Priority</b>	<b>Braunstone Town Council Response to Recommendations</b>	<b>Officer Responsible</b>	<b>Action Date</b>
Financial Regulation 6.6 – variable direct debits could and probably should be strengthened	Council funds being debited through Direct Debits, which remained active at the bank, although the contract had expired or been terminated.	Consideration be given to reducing the frequency of review from ‘at least every two years’ to ‘at least annually’	M	Include changes in annual review of Financial Regulations in April and May 2023.	Chief Executive & Town Clerk	March 2023