

## **BRAUNSTONE TOWN COUNCIL**

**28th JUNE 2018**

### **Item 5 - Internal Audit Report 2017/2018 and Internal Audit arrangements 2018/2019**

#### **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 2018 and to appoint an Internal Auditor for 2018/2019.

#### **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 2017) published by the Joint Panel on Accountability & Governance. Section 4 sets out "Non-statutory guidance for internal audit at smaller authorities".

In addition to the information in Section 4, the Town Council asked the Internal Auditor to consider the following key systems and processes as part of the review:

- proper book-keeping including the cash book;
- standing orders and financial regulations;
- payment controls;
- income controls;
- budgetary controls;
- petty cash procedure;
- payroll controls;
- asset control;
- bank reconciliations;
- year-end procedures; and
- risk management arrangements.

In addition to this work, the Council requires the Internal Auditor to:-

- complete and sign the Internal Audit Section of the Annual Governance and Accountability Return; and
- provide the Council with a written report of findings upon completion of the audit.

### 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, Accounting Statements alongside the Internal Audit Report.

### Appointment of Internal Auditor

The Council previously used North West Leicestershire's Internal Audit Services, who also provide Audit Services to Blaby District Council under a shared services arrangement. However, on 19th October 2017, North West Leicestershire's Internal Audit Services contacted the Town Council to advise that due to capacity issues going forward and depending on the outcome of the continuing recruitment exercise, they may not be in the position to provide the Town Council's internal audit, since they may not have a suitably qualified person in the post to be able to sign off our Annual Return because this would need to be undertaken by a qualified accountant.

The Leicestershire and Rutland Association of Local Councils (LRALC) has set up an Internal Audit Service from 1st April 2018 which, for a fee, will provide any member Council with a continually trained and developed, competent, independent, and indemnified Internal Auditor.

The cost to Braunstone Town Council for 2018-19, based on having an electorate in excess of 10,000 would be £440. This compares to £846 for the Internal Audit by North West Leicestershire District Council in May 2017.

With no internal auditor for the current financial year, the Council approached the Leicestershire and Rutland Association of Local Councils to request an internal auditor this year, which was provided through their counterparts in Northamptonshire who provided John Marshall to be an LRALC Internal Auditor for Braunstone Town Council for the current financial year, 2017-18.

The fee, based on our electorate of 12709, will also be £440.

### Internal Audit for 2017/2018

The Internal Audit was undertaken remotely during April and May and a visit was undertaken on Friday 18th May 2018. A copy of the Internal Audit Report is attached at Appendix 1.

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 2.

The Internal Auditor has completed the appropriate section of the Annual Governance and Accountability Return, which is attached at Appendix 3, to confirm that appropriate accounting arrangements are in place.

#### 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 14th June 2018 and both approved the recommendations set out below.

#### Recommendations

1. That the observations of the Internal Audit (attached at Appendix 1 of the report) be noted and that the recommendations for improvement, along with the proposed response, as set out in the Improvement Action Plan (attached at Appendix 2 of the report), be adopted; and
2. 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 2019.

#### Reasons

1. To ensure that the observations of the Internal Audit would be addressed with appropriate and balanced measures.
2. To ensure arrangements were in place for compliance with Accounts and Audit Regulations.

# Leicestershire and Rutland ALC IAS

## 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:	19.05.2018
Year ending:	31 March 2018	Date audit carried out:	18.05.2018

*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, Executive Officer and Town Clerk together with Lydia Assi, Resources and Facilities Manager and Pauline Snow, Deputy Executive Officer and Community Services Manager on 18 May to carry out the year-end internal audit of the Council. I would take this opportunity to thank them for their time and assistance.

I noted that last year, the External Auditors Grant Thornton raised no audit issues; N W Leicestershire DC Internal Audit Services raised 4 issues, all of which have been properly addressed by the Council.

This year's audit identified the following issues;

- the Council's Financial Regulations (FRs) are based on the National Association of Local Councils (NALC) template; the Council has opted to make a number of changes and variations to better reflect the nature and scale of its financial systems and procedures. That is acceptable, but care must be taken to ensure that any changes made do not afford, inadvertently a lower standard of protection than that provided by the model template, that itself reflects legal requirements and the proper practices. To that end, whilst I note that detailed financial reporting to each meeting of the Policy & Resources Committee already takes place and whilst I am satisfied that the regular periodic financial verification procedures are sound and satisfactorily deliver the objectives set out in the FRs, I consider that a simplified summary financial report to the Policy & Resources Committee, at least quarterly to include details of reserves held and bank reconciliations would aid understanding and transparency.

- the council should consider the requirements of the Equality Act 2010, to ensure that any necessary reasonable adjustments have been made and can be made, both actually and on a contingency basis for all reasonably foreseeable eventualities; note that the duties extend to the public as well as to staff and elected members. NALC Legal Topic Note 78 provides much useful information on how councils can achieve compliance. Any changes to existing procedures should be incorporated into the council's risk management assessment and protocols.

During the course of this audit, through examination of information provided on the council's website and the inspection of hard evidence and questioning, I tested all of the objectives of Internal Controls that I am required to consider and that are set out in the Annual Governance and Accountability Return (AGAR). On the basis of my findings in the areas examined, I am satisfied that in all significant respects the internal control objectives were achieved throughout the financial year. Accordingly, I have completed and signed off the Internal Audit Report, page 3 of the Annual Return (AGAR) as required.

I would add that the standards of governance and financial management I observed are above average. The council is well organised and efficiently run by its knowledgeable Executive Officer and competent staff and notwithstanding the above comments, I am satisfied that a range of sound and effective policies and procedures are in place to manage, monitor and control delivery of the Council's business and activities.

John Marshall, CiLCA  
Internal Auditor to the Council  
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## **APPENDIX 1**

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

	<b>Year ending 31 March 2017</b>	<b>Year ending 31 March 2018</b>
1. Balances brought forward	350,420	312,803
2. Annual precept	495,653	519,556
3. Total other receipts	233,536	275,113
4. Staff costs	442,384	462,129
5. Loan interest/capital repayments	63,912	63,786
6. Total other payments	260,510	313,358
7. Balances carried forward	312,803	268,199
8. Total cash and investments	308,409	250,239
9. Total fixed assets and long term assets	4,542,473	4,549,629
10. Total borrowings	379,906	335,103

**APPENDIX 2 – 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>
The Council's Financial Regulations are based on the National Association of Local Councils template; the Council has opted to make a number of changes and variations to better reflect the nature and scale of its financial systems and procedures.	Care must be taken to ensure that any changes made do not afford, inadvertently a lower standard of protection than that provided by the model template, that itself reflects legal requirements and the proper practices.	A simplified summary financial report be submitted to the Policy & Resources Committee, at least quarterly to include details of reserves held and bank reconciliations, which would aid understanding and transparency	M	Recommended report to be added to the agendas of the next Policy & Resources Committee meeting one month after the end of each quarter.	Executive Officer & Town Clerk	July 2018
The council should consider the requirements of the Equality Act 2010.	To ensure that any necessary reasonable adjustments have and can be made, both actually and on a contingency basis for all reasonably foreseeable eventualities.	Any changes to existing procedures should be incorporated into the council's risk management assessment and protocols.	L	To review insurance cover to ensure that claims under the Equality Act are covered.	Executive Officer & Town Clerk	Oct 2018