

# **BRAUNSTONE TOWN COUNCIL**

**25th JUNE 2020**

## **Item 6 - Internal Audit Report 2019/2020 and Internal Audit arrangements 2020/2021**

### **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 2020 and to appoint an Internal Auditor for 2020/2021.

### **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 Annual Governance and Accountability 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 2019) 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 both the Annual Governance Statement and Accounting Statements alongside the Internal Audit Report (although in 2020, due to the Covid-19 Incident, these reports will be considered by Policy & Resources Committee only prior to Council).

### 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 2018/19, the Council agreed on 27th June 2019 (minute 5766) 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 2020. The fee, based on our electorate of 12,555, is £440.

### Internal Audit for 2019/2020

The Internal Audit was undertaken remotely during April and May and the Internal Auditor conducted a telephone interview with the Executive Officer & Town Clerk on Tuesday 19th May 2020. 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.

### Outstanding Recommendations from Internal Audit 2018/2019

Two recommendations were made by the Internal Auditor in 2019 and the Action Plan was approved by Corporate Governance Sub-Committee, Policy & Resources Committee and Council in June 2019. One recommendation was to review information published on the Council's website and the other an amendment to be included in the annual review of the Financial Regulations. Due to the Covid-19 Incident it was not possible to complete these actions, which are detailed in the Improvement Action Plan 2019/2020 at Appendix 3. Therefore, it is recommended

that these improvement actions be rolled forward and implemented by May 2021.

### Arrangements for 2020/2021 Internal Audit

This is the third 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 2020/21.

### Committee consideration of Internal Audit Report

The Internal Auditor's Report was considered by Policy & Resources Committee on 11th June 2020 who approved the recommendations set out below (Policy & Resources Committee minute 99).

### Recommendations

1. That the observations of the Internal Audit (attached at Appendix 1 of the report) and confirmation that the Council had appropriate accounting arrangements in place for the financial year ended 31st March 2020 (attached at Appendix 2 of the report), be received and noted;
2. that the outstanding recommendations for improvement from the 2018/2019 Internal Audit, along with the proposed response, as set out in the Improvement Action Plan (attached at Appendix 3 of the report), be rolled forward and implemented by May 2021; 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 2021.

### Reasons

1. There were no additional recommendations for improvement from the Internal Audit 2020.
2. To note that recommendations from the Internal Audit 2018/2019 remained to be implemented due to the Covid-19 Incident and to ensure that these would be addressed in the next twelve months.
3. To ensure arrangements were in place for compliance with Accounts and Audit Regulations.

APPENDIX 1**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:	19.05.2020
Year ending:	31 March 2020	Date audit carried out:	19.05.2020

*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:**

Due to the Covid-19 pandemic and as a consequence of the legal distancing restrictions imposed by the UK government I carried out the audit remotely, by e-mail and telephone on 19 May. I would thank Darren Tilley, Executive Officer, Town Clerk and RFO together with his staff for their co-operation and assistance in delivering the audit.

I firstly sought evidence that the previous year's reports from Internal and External Auditors had been properly reported to and actioned by the council; they had. I noted that a proper Action Plan had been drawn up in response to the two issues I raised but due to the disruption to council's normal service arising from the pandemic, full delivery of the actions has yet to be completed; in the circumstances this is entirely understandable and acceptable. I then examined the Council's arrangements for the management and control of its business in the areas of book keeping, due process (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. This was achieved through examination of the publically available information displayed on the council's website - policies, procedures, agendas, minutes, financial and other records - and where necessary I requested and was provided with supplementary evidence 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). This supplementary information was provided in the form of reports including the completed Accounting Statements (section 2 of the AGAR) generated from the council's computer based management and accounting systems and in the telephone conversation with Darren. I chose to focus particularly on the council's recording and management of its assets and finances, including reserves.

The council continues to demonstrate high standards of compliance both with regulatory requirements and the proper practices\* and I am pleased to report that I identified no audit issues or other issues that I need to draw to the council's attention.

This report is based on the evidence made available to me and consequently, the report is limited to those matters set out above. Through examination of hard evidence and questioning, I confirm that I tested all the aspects of the council's internal controls that I am required to consider and I am satisfied that effective systems to manage, monitor and control the council's business are in place. Accordingly, I have completed and signed off the Annual Internal Audit Report at page 3 of the AGAR as required.

John Marshall  
 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 2019</b>	<b>Year ending 31 March 2020</b>
1. Balances brought forward	268,199	236,782
2. Annual precept	574,107	604,817
3. Total other receipts	188,871	222,249
4. Staff costs	463,924	479,396
5. Loan interest/capital repayments	60,891	60,765
6. Total other payments	269,580	278,347
7. Balances carried forward	236,782	245,340
8. Total cash and investments	229,438	233,698
9. Total fixed assets and long term assets	4,551,639	4,555,705
10. Total borrowings	289,474	242,998

The proper practices referred to in Accounts and Audit Regulations 2015 are set out in *Governance and Accountability for Smaller Authorities in England (March 2019), A Practitioners' Guide*. Please note that sections 1 & 2 constitute the 'proper practices' that smaller authorities must follow and sets out the appropriate standard of financial reporting. Please note this version applies for 2019/20, however Governance & Accountability for Smaller Authorities in England (March 2020) is available for early adoption. The Joint Panel on Accounting & Governance (JPAG) has only clarified proper practices - there have been no material changes. A copy of the 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 2019/20**

**BRAUNSTONE TOWN COUNCIL**

This authority's internal auditor, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls to be in operation **during** the financial year ended 31 March 2020.

The internal audit for 2019/20 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	Agreed? Please choose one of the following		
	Yes	No*	Not covered**
A. Appropriate accounting records have been properly kept throughout the financial year.	✓		
B. This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓		
C. This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D. The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F. Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.	✓		
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.	✓		
H. Asset and investments registers were complete and accurate and properly maintained.	✓		
I. Periodic and year-end bank account reconciliations were properly carried out.	✓		
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.	✓		
K. <b>IF</b> the authority certified itself as exempt from a limited assurance review in 2018/19, it met the exemption criteria and correctly declared itself exempt. <i>(If the authority had a limited assurance review of its 2018/19 AGAR tick "not covered")</i>			✓
L. The authority has demonstrated that during summer 2019 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.	✓		
<b>M. (For local councils only)</b> Trust funds (including charitable) – The council met its responsibilities as a trustee.			✓

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

Name of person who carried out the internal audit

DD/MM/YY 19/05/2020

W J McL. Marshall, CiLCA

Signature of person who carried out the internal audit



Date

19/05/2020

\*If the response is 'no' you must include a note to 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).

**Internal Auditor’s Report – Improvement Action Plan 2019/2020**

<b>Internal Audit Observation</b>	<b>Risk</b>	<b>Internal Audit Recommendations</b>	<b>Priority</b>	<b>Council Response to Recommendations</b>	<b>Officer Responsible</b>	<b>Action Taken / Update</b>
As annual turnover exceeds £200,000, the Council must comply with the Local Government Transparency Code 2015 (the information that must be made publically available is set out at Annex A of the Code).	Not all of that information is currently displayed on the Council’s website, particularly noted deficiencies regarding pay multiples and contract information, which could result in challenge.	A review should be conducted to ensure that the information required by the Local Government Transparency Code 2015 is a) displayed on the Council’s website and b) current.	M	<ol style="list-style-type: none"> <li>1. Undertake review of information, ensure it is updated and republish on the Council’s Website.</li> <li>2. Schedule and undertake an annual review.</li> </ol>	Executive Officer & Town Clerk	The list of documents and guidance has been reviewed. The Council appointed a new Communications & Events Officer who was in the process of restructuring the website, updating the page was postponed pending this work, which was then stopped due to the Covid-19 Incident. This officer is playing a key role in the coordination of the Town’s Covid-19 Community Response.
<p>Inconsistencies between the Council’s Standing Orders and Financial Regulations with respect to some financial requirements.</p> <p>The Budget controls recommended by the Internal Audit 2018 have not been included in Financial Regulations.</p>	<p>Potential contractors (for contracts over £3,000 and below £25,000) may challenge the process.</p> <p>The quarterly report to Policy &amp; Resources Committee may be discontinued without due process.</p>	<p>Update Financial Regulation on contracts and tendering to reflect Standing Orders.</p> <p>Include internal controls implemented following last year’s internal audit at Financial Regulation 2.2.</p>	M	Include changes in annual review of Financial Regulations to be considered by Policy & Resources Committee in April 2020 and Annual Council in May 2020.	Executive Officer & Town Clerk	Policy & Resources Committee agreed on 30th April 2020 to postpone the review of the Financial Regulations for 12 months along with the postponement of the AGM until May 2021 due to the Covid-19 Incident.