

BRAUNSTONE TOWN COUNCIL

29th JUNE 2023

Item 5 - Internal Audit Report 2022/2023 and Internal Audit arrangements 2023/2024

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 2023 and to appoint an Internal Auditor for 2023/2024.

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 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 2022) 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 2021/22, the Council agreed on 30th June 2022 (minute 6042) *"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"*. The fee, based on our electorate of 12,525, is £455.

Internal Audit for 2022/2023

The Internal Audit was undertaken remotely during April and May and the Internal Auditor conducted a meeting with the Chief Executive & Town Clerk on Wednesday 3rd May 2023. 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 2021/2022

One recommendation was made by the Internal Auditor in 2022 and the Action Plan was approved by Corporate Governance Sub-Committee, Policy & Resources Committee and Council in June 2022. All actions in the Action Plan were considered/implemented. The updated Financial Regulations were approved by the Annual Council meeting on 18th May 2023 (Council Minute 6122).

Arrangements for 2023/2024 Internal Audit

This is the sixth 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 2023/24.

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 15th June 2023 (Minute 6).

Corporate Governance Sub-Committee discussed the following points:

- a) Land Valuation – rather than arrange for land to be valued; it would be more appropriate to seek advice on how land could be revalued as a desktop exercise; given the Council's land was either public open space or a community facility; and
- b) Reserves – consideration should be given to placing a note in the accounts identifying which earmarked reserves were committed.

As a result, Policy & Resources Committee resolved "that the recommendations for improvement, along with the proposed response, as set out in the Internal Audit Improvement Action Plan, be amended as follows:

- a) response no. 2 to the observation on "Land and buildings with a commercial value" being amended to read "review the process for land valuation", and
- b) the response to the observation on "Guidance regarding the general reserve" include placing a note in the accounts identifying which earmarked reserves were committed.

These amendments have been accommodated in the proposed Action Plan (attached at Appendix 3 of the report). Subject to those amendments, both approved the recommendations set out below

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 2024.

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.

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:	04.05.2023
Year ending:	31 March 2023	Date audit carried out:	03.05.2023

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 & Town Clerk on 03 May to carry out the year-end internal audit of the council. I would thank Darren and his staff for their co-operation and assistance in delivering the audit; receiving the year-end data in good time ahead of the audit, has been very helpful to me.

I firstly examined the publicly available information displayed on the council's website including the council's policies, procedures, agendas, minutes, financial and other records. I sought evidence and confirmed that the previous year's Internal and External Audit reports had been properly reported to and where necessary acted upon by the Council; they had.

I then examined the council's arrangements for the management and control of its business in the areas of bookkeeping, 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 including compliance with the display of information and the exercise of public rights.

Where necessary, through questioning and the inspection of hard copy data at the audit meeting I obtained 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 council's Annual Governance and Accountability Return (AGAR).

I identified just two audit issues;

- Land and buildings with a commercial value; the Asset Register contains details of land and buildings some of which have an actual value rather than a nominal value ie £1 assigned to them. Where land and buildings have a commercial value and are

capable of being sold (even though that might not be the intention), it is appropriate to carry out a periodic commercial revaluation eg at least once during the life of each council to ensure that the council's total asset value is accurate and available

- Reserves; the current guidance regarding the general reserve held is set out in The Practitioners' Guide (2023) paras 5.32 - 5.36. For authorities with income and expenditure in excess of £200,000 the generally accepted recommendation with regard to the appropriate minimum level of general reserve is 3 months of net revenue expenditure. In discussion with Darren, we concluded that for the audit year 2022-23, that would suggest approximately £180,000 but the actual figure was considerably lower and less than 50% of the guideline figure. Whilst the Practitioners' Guide is just that ie guidance and whilst the calculation of reserves is not an exact science, it is appropriate and prudent that the council reviews its current position against the guidance to confirm or if necessary amend its plan in respect of the sums held.

Notwithstanding these comments, the council continues to exhibit consistently high standards of governance and accountability that are 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

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

	Year ending 31 March 2022	Year ending 31 March 2023
1. Balances brought forward	618,175	286,317
2. Annual precept	681,961	720,356
3. Total other receipts	172,030	338,512
4. Staff costs	434,301	544,102
5. Loan interest/capital repayments	94,186	82,433
6. Total other payments	657,362	504,211
7. Balances carried forward	286,317	214,440
8. Total cash and investments	243,221	157,711
9. Total fixed assets and long term assets	5,400,446	5,429,228
10. Total borrowings	1,061,862	1,120,528

Annual Internal Audit Report 2022/23

Braunstone Town Council

www.braunstonetowncouncil.org.uk

During the financial year ended 31 March 2023, 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 2022/23 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.	✓		
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 bank account reconciliations were properly carried out during the year.	✓		
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. If the authority certified itself as exempt from a limited assurance review in 2021/22, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2021/22 AGAR tick "not covered")			✓
L. The authority published the required information on a website/webpage up to date at the time of the internal audit in accordance with the relevant legislation.	✓		
M. In the year covered by this AGAR, the authority correctly provided for a period for the exercise of public rights as required by the Accounts and Audit Regulations (during the 2022-23 AGAR period, were public rights in relation to the 2021-22 AGAR evidenced by a notice on the website and/or authority approved minutes confirming the dates set).	✓		
N. The authority has complied with the publication requirements for 2021/22 AGAR (see AGAR Page 1 Guidance Notes).	✓		
O. (For local councils only) 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).

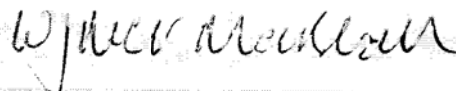
Date(s) internal audit undertaken

03/05/2023

Name of person who carried out the internal audit

W J McL. Marshall, CiLCA

Signature of person who carried out the internal audit



Date

04/05/2023

*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).

LRALC Internal

APPENDIX 3 – INTERNAL AUDIT IMPROVEMENT PLAN

Observation	Risk	Recommendations	Priority	Council Response to Recommendations	Officer Responsible	Action Date
Land and buildings with a commercial value; the Asset Register contains details of land and buildings some of which have an actual value rather than a nominal value ie £1 assigned to them.	The value of assets may not be accurate.	Where land and buildings have a commercial value and are capable of being sold (even though that might not be the intention), carry out a periodic commercial revaluation eg at least once during the life of each council.	M	Buildings were valued during the previous Council. 1. Undertake a review of assets. 2. Review the process for land valuation. 3. Schedule 4 yearly reviews.	1. Service Managers 2 & 3. Chief Executive & Town Clerk	Nov 2023 Feb 2024
Guidance regarding the general reserve is set out in The Practitioners' Guide (2023) paras 5.32 - 5.36. For authorities with income and expenditure in excess of £200,000 the generally accepted recommendation is for 3 months of net revenue expenditure.	For the audit year 2022-23, that would suggest approximately £180,000 held in reserves but the actual figure was considerably lower and less than 50% of the guideline figure.	Whilst the Practitioners' Guide is guidance and whilst the calculation of reserves is not an exact science, it is appropriate and prudent that the council reviews its current position against the guidance to confirm or if necessary amend its plan in respect of the sums held.	M	Policy & Resources Committee considers income and expenditure against budgets at each meeting and Reserves held quarterly. Review Reserves Policy as part of the Medium Term Financial Planning Process. Place a note in the accounts identifying which earmarked reserves are committed	Chief Executive & Town Clerk	Nov 2023