

# BRAUNSTONE TOWN COUNCIL

30th JUNE 2016

## Item 5 – Annual Governance Statement 2015/2016

### Purpose

To ensure sound systems of internal control, including the management of risk and the preparation of accounting statements during the financial year ended 31st March 2016 and to authorise the completion and submission of the Annual Governance Statement 2015/2016 accordingly.

### Background

Under the Regulations it is the Council as a whole that is responsible in law for ensuring that their financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of their functions and which includes arrangements for the management of risk. Under the regulations, all local councils are required to conduct a review at least once a year of the effectiveness of their system of internal control, in accordance with proper practices.

### Annual Governance Statement

As part of the Annual Return, the Council has to demonstrate that it is compliant with the statements set out in Section 1, Annual Governance Statement:

- 1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.**

*Prepared accounting statements in accordance with the Accounts and Audit Regulations.*

The accounting statements have been produced and have formed part of the Internal Audit, which reported “A review of the annual accounts for the year ending 31st March 2016 was carried out and they were found to have been prepared on the correct basis and were supported by adequate audit trails to underlying records” (section 2.6 of the Internal Audit Report).

The accounting statements have been submitted:

- Corporate Governance Sub-Committee, 9th June 2016 (item 10);
- Policy & Resources Committee, 9th June 2016 (item 9); and
- will be submitted to Full Council on 30th June 2016 (the deadline date for determining the Accounting Statements).

For the purpose of the Regulations, Braunstone Town Council is currently classed as a smaller relevant body (as defined by the Accounts and Audit Regulations 2011) whose gross annual income or expenditure is less than £6.5 million. Accordingly it is audited under the Audit Commission’s limited assurance approach.

Throughout the year, the Responsible Financial Officer has reviewed the operation of the Financial Procedures and taken action to ensure the implementation of proper practices. The issues and actions have been reported to the Council's Policy & Resources Committee on 1st October 2015 (minute 57) and 14th January 2016 (minute 79) and also to Corporate Governance Sub-Committee (9th June 2016).

- 2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.**

*Made proper arrangements and accepted responsibility for safeguarding public money and resources.*

The Council's systems of internal control are set out in the Financial Regulations, which were reviewed by Policy & Resources Committee on 16<sup>th</sup> April 2015 following publication of NALC's Model Financial Regulations and adopted by the Annual Meeting of the Council on 14<sup>th</sup> May 2015. Prior to this date, the Financial Regulations had been adopted on 8th September 2011. In addition we have adopted the 'Braunstone Area Office – Operational Instructions and Procedures' for Customer Service Shop transactions.

Operational expenditure transactions are authorised by two account signatories and each ordinary Full Council meeting receives a list of all expenditure transactions since the previous report

- 3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the Council to conduct its business or on its finances.**

*Only done what it has the legal power to do and has complied with proper practices in doing so.*

The relevant legal powers for all the Council's activities are listed in the Budget and Precept for 2016/2017 and future estimates report and appendices considered by Policy & Resources Committee on 14th January 2016 and approved by Full Council on 28th January 2016.

- 4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.**

*During the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.*

For the Year Ending 31<sup>st</sup> March 2015, the External Auditor required us to publish the period during which electors may inspect the accounting records from 27th May to 26th June 2015. The External Audit was completed on 17th September 2015.

**DEADLINE FOR ACCOUNTS TO BE APPROVED BY THE COUNCIL**  
30<sup>th</sup> June 2016.

### NOTICE OF AUDIT & PUBLIC INSPECTION OF ACCOUNTS

The Accounts & Audit Regulations 2015 requires the Responsible Financial Officer (instead of the External Auditor) to set the period during which electors may inspect the accounting records. It must be a period of 30 consecutive working days (i.e. excluding weekends and public holidays) and must include the first ten working days in July). Since the Council is not considering the Annual Governance Statement and Accounting Statements until 30th June, the inspection period will therefore be Friday 1st July until Thursday 11th August 2016. The unaudited Annual Return must be published on the website before the start of the inspection period, and it will be published initially as part of the meeting Agenda, which for Corporate Governance Sub-Committee and Policy & Resources Committee was on Wednesday 1st June 2016.

### PUBLICATION OF CONCLUSION OF AUDIT - AUDITOR'S REPORT & ACCOUNTS

Before 30<sup>th</sup> September

Sections 1 – 3 of Annual Return to be published on the Town Council notice Board at both Community Centres and on the Website.

5. **We carried out an assessment of the risks facing the Council and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.**

*Considered financial and other risks and has dealt with them properly.*

**(REFER TO APPENDIX 'A').**

### PUBLIC LIABILITY CLAIMS

Insurance Claim No. 8715746 dated 22<sup>nd</sup> October 2013 – incident on Shakespeare Park tennis courts causing alleged injury (ONGOING). The Insurers closed this claim in September 2015 since no response had been received from the claimant's solicitors for two years. However, in December 2015, further correspondence was received from the claimants solicitors asking for safety check records and these were provided in February 2016.

### INTERNAL CONTROLS

A review will be undertaken of the Council's Insurance Policy and Assets Register in October when the Policy is due for renewal. It is a requirement of the Policy, that questionnaires are completed and submitted to the Insurers in relation to Councillors over the age of 80 years. Following the elections in 2015, no Councillors are over 80 years of age.

### RISK ASSESSMENTS

An updated Business Continuity Plan was adopted on 12<sup>th</sup> June 2014. Fire Risk Assessments as required by Regulatory Reform (Fire Safety) Order 2005 were completed on 8<sup>th</sup> April 2008 (Braunstone Civic Centre) and 25<sup>th</sup> October 2010 (Thorpe Astley Community Centre) as a result of these, a Fire Risk Assessment checklist is completed every three months.

An assessment of the following was also undertaken during the year:

- Safety check of Fire Doors
- Water testing for Legionnaires disease
- Asbestos survey
- Safety checks and locations of smoke detectors.

During the year staff who needed their Emergency First Aid at Work certificate renewing and new employees received first aid training. Also during the year staff received the annual training in fire safety, manual handling and the groundstaff the Tractor Action training in accordance with the Council's Health & Safety Statement.

The Health & Safety Consultative Group carried out a review of the Icy Surfaces Risk Assessment. It was decided to discard Entry in to Confined Spaces – drains and also Franklin Park Volunteer Wardens since these were no longer relevant. All risk assessments have been reviewed and updated in the last 3 years. The next review of risk assessments is scheduled for April 2017.

RoSPA Play Area Safety Inspection Reports were received in May 2015 for Mosssdale Meadows, Franklin Park, Holmfield Park, Shakespeare Park, Isobel Close, Priestman Road, Hilcott Green, Marshall Close and Impey Close. There were no High Risk items highlighted.

Banking – Compensation Scheme – with effect from 31<sup>st</sup> December 2010 the Government Scheme offers full compensation up to £85,000 per saver or authorised institution.

#### PROPERTY DAMAGE

<u>COMMUNITY ASSETS LAND VALUES (NOT INSURED)</u>	£
Holmfield Park – 2.42 hectares (6 acres)	NIL
Shakespeare Park – 2.63 hectares (6.5 acres)	NIL
Franklin Park – 3.62 hectares (8.9 acres)	15,731.00
Mosssdale Meadows – 9.51 hectares (23.5 acres)	33,753.00
Merrileys Park – 2.95 hectares (7.31 acres)	10,499.00
Watercourse Walk Thorpe Astley – 102 hectares (2.47 acres)	3,547.00
Thorpe Astley Open Spaces (South) adopted 2011. 2.25 hectares (5.6 acres)	8,040.00
Thorpe Astley Open Spaces	6,289.00
Thorpe Astley Parkland – 7.14 Hectares (17.7 acres)	25,414.00
Thorpe Astley Persimmon Homes Sites (17.61 acres)	24,381.53
	<u>127,654.53</u>
<u>PROPERTY DAMAGE (ALL RISKS)</u>	
Buildings, Street Furniture, Play Equipment, etc (Risk 1 in Policy)	3,256,705.20
Thorpe Astley Community Centre and Contents (Risk 16)	1,097,748.00
Business all Risks, Regalia, CCTV, Garden Machinery (Risk 5 in Policy)	57,340.00
	<u>4,411,793.20</u>
<b>TOTAL</b>	<b><u>4,539,447.73</u></b>

## INSURANCE

The Town Council's insurance policy covered the following risks:-

Public Liability	up to £5m any one claim
Employers Liability	up to £10m any one claim
Money	£10,000 cash in transit, £10,000 in safe
Fidelity Guarantee	£220,000.00
Wage roll	£386,000.00

Business Interruption Gross Rentals (Including Thorpe Astley Community Centre)	£153,559.00
Braunstone Civic Centre (Maximum Indemnity Period:- 12 months)	£51,000.00

Official Indemnity, Libel and Slander	£374,000.00
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**6. We have maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.**

*Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the Council.*

An Internal Audit undertaken by North West Leicestershire District Council' Internal Audit Services and was completed on 27th May 2016.

**7. We took appropriate action on all matters raised in reports from internal and external audit.**

*Responded to matters brought to its attention by internal and external audit.*

## INTERNAL AUDITOR'S REPORT 2014/2015

The Internal Auditor was asked to have full regard to the guidance on Internal Audit set out in "Governance and Accountability for Local Councils – A Practitioners' Guide 2008 (England)" published by NALC and the SLCC. In particular, to have due regard to Section 4 of the Annual Return. The Internal Auditor confirmed that the programme of work undertaken was based on suggested tests detailed by the Audit Commission.

The overall opinion was that systems are operating efficiently and effectively. A copy of the action plan is attached (**Appendix 'B'**)

## EXTERNAL AUDITOR'S REPORT

The external audit was concluded on 17<sup>th</sup> September 2015 and an unqualified audit opinion given.

## MATTERS ARISING FROM CORPORATE GOVERNANCE SUB-COMMITTEE MEETING HELD 11<sup>TH</sup> JUNE 2015

*None*

**8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council and, where appropriate have included them in the accounting statements.**

*Disclosed everything the Council should have about its business activity during the year including events taking place after the year-end if relevant.*

Council considered medium to long term priorities and financial planning on 5<sup>th</sup> November 2015. This document forms the framework for assessing the Council's priorities and future financial risks when developing its budget estimates for 2016/2017.

The Council's Medium to Long Term Priorities and Financial Planning strategy assessed the impact of the following Financial Pressures:

- Council Tax Support Grant – Each year the District Council will formulate a Council Tax Support Grant Scheme. In future this presents a financial risk to the Town Council should the grant be withheld or is insufficient.
- Local Government Pension Scheme (Auto Enrolment) from 1<sup>st</sup> October 2015 the Town Council was required to auto-enrol all eligible employees.
- Thorpe Astley Open Spaces – the current level of reserves allocated to the Thorpe Astley open spaces monitored, along with maintenance and wages costs.
- Pressures on Principal Authorities and other public bodies, presenting a risk to services in the community, such as Library Services, and potential costs implications to be considered by the Town Council.

The strategy sets these within the political and economic context and expected changes to the provision of services.

**9. Trust funds including charitable – in our capacity as the sole managing trustee we have discharged our accountability responsibilities for the funds(s)/assets, including financial reporting and, if required, independent examination or audit.**

*Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.*

None.

Review of Systems of Internal Control

The Corporate Governance Sub-Committee on 9th June 2016, undertook a review of the systems of internal control, including the management of risk and the preparation of accounting statements during the financial year ended 31<sup>st</sup> March 2016 to ensure that sound systems of internal control were in operation.

Having reviewed the control measures for each of the areas listed on the Annual Governance Statement and the assessment of risks facing the Council and associated mitigating measures, the Corporate Governance Sub-Committee were confident that to the best of their knowledge and belief, with respect of the

accounting statements for the year ended 31st March 2016, there were sound systems of internal control and management of risk.

Therefore, the Committee recommended to Policy & Resources Committee that they recommend to Council that the systems of internal control and management of risk be confirmed as sound and that Section 1, Annual governance statement 2015/16, of the Annual Return for the year ended 31st March 2016 be completed and submitted accordingly.

Having reviewed the report and received the conclusions of the Corporate Governance Sub-Committee on 9th June 2016, Policy & Resources Committee endorsed the conclusion and submitted the recommendation for consideration by Council.

### Recommendation

That the systems of internal control and management of risk be confirmed as sound and that Section 1, Annual governance statement 2015/16, of the Annual Return for the year ended 31st March 2016 (attached as Appendix C) be completed, signed and submitted accordingly.

### Reason

Having reviewed the control measures for each of the areas listed on the Annual Governance Statement and the assessment of risks facing the Council and associated mitigating measures, Council were confident that to the best of their knowledge and belief, with respect of the accounting statements for the year ended 31st March 2016, there were sound systems of internal control and management of risk.

BRAUNSTONE TOWN COUNCIL: RISK MANAGEMENT – 1st JUNE 2016

Area	Risk	Level	Controls <i>(bold indicates areas where work is needed)</i>
Assets	Protection of physical assets	L	Buildings 'All Risks' insurance. Value increased annually by RPI. Buildings, Street Furniture, Play Equipment, etc (Risk 1 in Policy) £3,256,705.20; Business all Risks, Regalia, CCTV, Garden Machinery (Risk 5 in Policy) £57,340.00; Thorpe Astley Community Centre £1,097,748.00.
	Security of buildings, equipment etc	L	Civic Centre and Thorpe Astley Community Centre protected by CCTV and 'Redcare' call-out alarm system. Shakespeare Park Store and Mosssdale Meadows Garage have stand alone alarm systems.
	Maintenance of buildings & Equipment etc	L-M	Buildings currently maintained on an ad hoc basis. Annual ROSPA Report on Play Equipment – any remedial work undertaken on Winter Works Programme. Planned programme of electrical and safety equipment in place – In accordance with the Council's Safety Statement the Community Development & Centres Manager and the Senior Groundspersons are responsible for maintaining the Work Equipment Inventory, Legionella Inspection Regime and Equipment Maintenance Schedules (Form BTC 60)



Area	Risk	Level	Controls <b>(bold indicates areas where work is needed)</b>
Finance	Banking	M	<p>A minimum of two Current Accounts with the Co-operative Bank are maintained, a general account and a payroll account. Banking Arrangements are governed by Para 5 of the Council's Financial Regulations adopted on 14<sup>th</sup> May 2015.</p> <p>Out of £323,741.51 total cash and investments on 31<sup>st</sup> March 2016, £156,037.82 is invested with a Cambridge Building Society 90 Day Notice Account. £58,459.96 was invested in the Co-operative Bank Fixed Term Investment Account, which matured during the year, the funds are currently in the General Account and are due to be reinvested.</p> <p>The government Compensation Scheme offers full compensation up to £85,000 per saver or institution. The Council currently has its financial resources with two banking institutions (End of Year Balance - £420,480).</p>
	Risk of consequential loss of income	L	<p>Insurance cover. This will be reviewed at the next renewal date to take account of the additional revenue from the Council's Community Centres. Important documents stored in fire proof safe. Council documents backed-up off premises.</p> <p>The Council's Computer Booking System and Accounts Package are backed up daily on-line off the premises by the Package provider.</p>
	Loss of cash through theft or dishonesty	L	<p>The Council's systems of internal control are set out in the Financial Regulations adopted on 14<sup>th</sup> May 2014. In addition we have adopted the 'Braunstone Area Office – Operational Instructions and Procedures' for Connect Service Shop transactions.</p>

Area	Risk	Level	Controls <b>(bold indicates areas where work is needed)</b>
Finance (cont.)	Loss of cash through theft or dishonesty (cont.)		The Council's Insurance Policy Limit to Employee Dishonesty has remained at £220,000.
	Financial controls and records	L	Monthly bank reconciliations are prepared by the officer administering day to day finances and checked by the Executive Officer & Town Clerk. Two signatories on cheques and internet banking payments. Internal and external audit.
	Comply with Customs and Excise Regulations	L	Use help line when necessary. VAT payments and claims calculated by Executive Officer & Town Clerk. Internal and external auditor to provide double check.
	Sound budgeting to underlie annual precept	L	Policy & Resources Committee and Council receive detailed budgets in the late autumn. Precept derived directly from this. Expenditure against budget reported to Committees quarterly.
	Complying with borrowing restrictions	L	No new borrowing. Potential future borrowing has been identified in relation to large projects on the Council's Capital Plan (approved by Council on 28 <sup>th</sup> January 2016. These include renovation/rebuild of Shakespeare Park Pavilion.

Area	Risk	Level	Controls <b>(bold indicates areas where work is needed)</b>
Liability	Risk to third party, property or individuals	M	Insurance in place. Open spaces checked weekly. Trees investigated annually and when damage reported. Risk assessments of individual events carried out as necessary.
	Legal liability as consequence of asset ownership (especially playgrounds)	M	Insurance in place. Weekly checks of playgrounds and written records kept. Annual checks by ROSPA of playgrounds.
Employer Liability	Comply with Employment Law	L	Membership of various national and regional bodies including Local Government Employees Association, Society of Local Council Clerks, National Association of Local Councils. DIS checked weekly for updates. As reported earlier, the Council has insurance for Employer's Liability. In March 2015, the Council commissioned a professional Human Resource advisor to assist with an Organisation Review and the implementation of the Living Wage, following the review the Human Resource advisor was appointed in October 2015 to advise and support the Council on all employment matters.
	Comply with Inland Revenue requirements	L	Regular advice from IR and Sage. Internal and external auditor carries out annual checks.
	Safety of Staff and visitors	L-M	Panic alarms (Redcare system) and CCTV fitted at Civic Centre and Thorpe Astley Community Centre. Regular risk assessment checks and reviews undertaken by the Health & Safety Consultative Group. Health & Safety Policy Statement reviewed and adopted on 15 <sup>th</sup> May 2013.

Area	Risk	Level	Controls <b>(bold indicates areas where work is needed)</b>
Legal Liability	Ensuring activities are within legal powers	L	Executive Officer & Town Clerk to clarify legal position on any new proposal. Legal advice to be sought where necessary.
	Proper and timely reporting via the Minutes	L	Council meets six times per annum and always receives Minutes of Standing Committees held in interim. Minutes made available to press and public at the Civic Centre and via the web site.
	Proper document control	L	Original leases deeds etc stored at in fire proof safe and at the Council's Solicitors office.
Councillor propriety	Registers of Interests and gifts and hospitality in place	L	Register of interest completed. Gifts and hospitality register is available for public inspection during normal office hours

3. Improvement Action Plan 2014/2015 Internal Auditor’s Report

Detailed Finding Reference	Observation	Risk	Recommendations	Priority High/Medium/Low	Officer Responsible	Action Taken and Date
2.1 Bookings Diary and Income	One booking had a discount applied however the qualifying conditions had not been met.	Bookings are not being charged at the correct rates.	Officers are reminded to ensure that qualifying criteria are met before applying discounts. If bookings are subsequently amended charges should be reviewed to ensure they are still correct. The line manager should carry out monthly sample checks on bookings.	High	Lydia Assi	Staff circular sent to all staff that operate the Council’s bookings system. New staff received appropriate training. Sample Checks carried out by Resources & Facilities Manager and individual staff members receive a sheet detailing the checks and any comments. System implemented from June 2015.
2.2 Income Receipts	Two minor errors in recording of information and Banking and Income Analysis Sheets.	Income is not accounted for correctly.	Officers are reminded to take care when completing Banking and Income Analysis Sheets. If errors are identified at a later date the Banking and Income Analysis Sheet should be corrected.	Medium	Darren Tilley	Staff circular sent to all staff that operate the Council’s bookings system. New staff received appropriate training. Resources & Facilities Manager makes any corrections identified by the reconciliation process. System implemented from September 2015

<b>Detailed Finding Reference</b>	<b>Observation</b>	<b>Risk</b>	<b>Recommendations</b>	<b>Priority High/Medium/Low</b>	<b>Officer Responsible</b>	<b>Action Taken and Date</b>
2.5 Financial Accounts	The reserves section of the balance sheet does not currently reflect the intended uses of the reserves or the balances for the specified reserves.	The Balance Sheet is misleading.	The reserves section of the balance sheet is updated to reflect the intended uses, the movement during 2014/15 and the current balances.	High	Darren Tilley	Report showing intended uses of Reserves submitted to Policy & Resources Committee on 20th August 2015 and approved. Reserves and their intended uses included in the medium to long term priorities and financial planning report approved by Council on 5th November 2015.
2.11 Bank Reconciliations	Not all bank reconciliations were signed and dated by the preparer and reviewer.	Bank reconciliations are not completed accurately.	All bank reconciliations should be signed and dated by both the preparer and reviewer.	High	Darren Tilley	Process implemented immediately by the Responsible Financial Officer in June 2015.

## Section 1 – Annual governance statement 2015/16

We acknowledge as the members of:

Enter name of  
smaller authority here:

**BRAUNSTONE TOWN COUNCIL**

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2016, that:

	Agreed		'Yes' means that this smaller authority:
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	NA
			✓
			has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority and recorded as minute reference:

MINUTE REFERENCE  
dated DD/MM/YY

Signed by:

Chair

SIGNATURE REQUIRED

dated

DD/MM/YY

Signed by:

Clerk

SIGNATURE REQUIRED

dated

DD/MM/YY

\*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.