

## **BRAUNSTONE TOWN COUNCIL**

**27th JUNE 2024**

### **Item 6 – Internal Audit Report 2023/2024 and Internal Audit arrangements 2024/2025**

#### **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 2024 and to appoint an Internal Auditor for 2024/2025.

#### **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 2023) 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.

Having received the Internal Audit for 2022/23, the Council agreed on 29th June 2023 (minute 6142) *“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”*. The fee, based on our electorate of 12,451, is £495.

### Internal Audit for 2023/2024

The person appointed by LRALC to undertake Braunstone Town Council’s Internal Audit for the year ended 31<sup>st</sup> March 2024 is Hannah Shaw.

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 8th May 2024. 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.

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 2022/2023

Two recommendations were made by the Internal Auditor in 2023 and the Action Plan was approved by Corporate Governance Sub-Committee, Policy & Resources Committee and Council in June 2023. All actions in the Action Plan were considered/implemented. The updated Financial Regulations were approved by the Annual Council meeting on 9<sup>th</sup> May 2024 (Council Minute 6221).

### Arrangements for 2025/2026 Internal Audit

This is the seventh 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 2025/26.

## 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 13th June 2024 (Minute 7).

Both the Corporate Governance Sub-Committee and Policy & Resources Committee noted that in respect of Internal Control Objective D, the level of general reserves at the end of the 2023/2024 financial year was insufficient and did not meet the guidelines laid out in the JPAG Practitioners' Guide 2024 paragraphs 5.31 to 5.39; and that the Internal Auditor was satisfied that in all significant respects all other Internal Control Objectives were achieved throughout the financial year to a standard adequate to meet the Council's needs.

Both the Corporate Governance Sub-Committee and Policy & Resources Committee supported the proposed action plan to address the Internal Auditor's recommendations.

## Recommendations

1. That the Internal Audit Report (attached at Appendix 1 of the report) and assessment of the internal control objectives (attached at Appendix 2 of the report) be received and noted;
2. that the recommendations 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 2025.

## Reasons

1. The Internal Auditor, having tested all the aspects of the Council's internal controls:
  - i. noted that in respect of Internal Control Objective D, the level of general reserves at the end of the 2023/2024 financial year was insufficient and did not meet the guidelines laid out in the JPAG Practitioners' Guide 2024 paragraphs 5.31 to 5.39; and
  - ii. was satisfied that in all significant respects all other 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.

## 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:	Hannah Shaw	Date of report:	13.05.24
Year ending:	31 March 2024	Date audit carried out:	08.05.24

*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 council through its staff and management and not left for internal audit. 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. This report is based on the evidence made available to me and consequently the report is limited to those matters set out below.*

*The proper practices referred to in Accounts and Audit Regulations are set out in JPAG Practitioners Guide. It is a guide to the accounting practices to be followed by local councils and it sets out the appropriate standard of financial reporting to be followed.*

***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:**

### Overview and Observations

In accordance with the terms of my engagement, I undertook a review of Braunstone Town Council's accounts, records, policies and procedures for the financial year ending 31st March 2024, following which I completed and signed the Annual Internal Audit Report, of the Annual Governance and Accountability Return 2023/24 Form 3.

Through an in-person meeting with the Chief Executive and Town Clerk, Darren Tilley and by inspection of information publicly accessible via the Council's website and documentation sent to me by email, I was able to review aspects of the Council's systems including payroll, bank reconciliations, risk management, Council owned assets, budgetary control and the Exercise of Public Rights.

Braunstone Town Council has 21 seats (quorum 7) and employs 25 members of staff across 16 separate roles. There are three committees, one advisory panel and a sub-committee, all guided by a comprehensive Scheme of Delegation which is published to the Council website and was last reviewed and re-adopted in 2019. Councillor Declaration of Interests are also published to the Council website.

The Council banks with the Co-op and payments are made by online bank transfer or by direct debit. Four members of staff have access to the online banking; however, payment authorisation is only required by one Officer. Councillors authorise financial statements at Council meetings and bank reconciliations are approved and signed quarterly. All financial statements are published to the Council's website and total payments and bank balances are included within. I recommend

Braunstone Town Council consider a banking facility which offers two-person authorisation before payments are made. However, the controls currently in place to protect the Council from financial risk are adequate and are outlined within the Council's Financial Regulations and Corporate Risk Management plan. Additionally, the Council have an array of very comprehensive policies in place on a four-year rolling review program and the level of Governance would be considered at a high level.

The Council uses Edge accounting software and the Resources and Facilities Manager records all expenditure on an Income and Expenditure accounting basis. The Council hold the General Power of Competence and this is evidenced within Council minutes following the elections in May 2023. VAT is reclaimed quarterly and is up-to-date. The Council also holds a petty cash fund of £250, as well as two other smaller floats for the library and office. During a transaction spot check, I was presented with supporting invoices of expenditure and bank statements for all transactions selected and the accounts appear to be kept in good order.

Payroll is managed by the Resources and Facilities Manager using Sage software and the Council are registered with the Pensions Regulator, however, no evidence of compliance was available for me to view.

The Council own and/or maintain a number of areas of land and buildings including the Civic Centre and Library, Thorpe Astley Community Centre, Shakespeare Park and Pavilion and Mossdale Meadows, all of which are now detailed with individual values on the Council's Fixed Asset Register following a recommendation made during last year's internal audit.

Braunstone Town Council has public and employer's liability insurance arranged through Gallagher and the current policy expires in November 2024. Separate insurance cover has been procured for the Council's two fleet vehicles, tractor and ride on mower. I recommend insurance certificates are published to the Council's website but believe the level of cover would be sufficient for the Council's needs.

All minutes of Town Council and committee meetings are available to view on the Council's website, are published within the required 28-day period and are marked as 'draft' prior to being approved and signed at the following meeting.

With regards to the Exercise of Public Rights, it is good practice to minute the dates upon approval at a Town Council meeting but there was no evidence of this for the 2023/2024 financial year. However, the notice had been published to the Council's website, correctly providing a period of 30 days.

Although I have seen evidence that budgetary controls are in place, Braunstone Town Council carried forward only £54,906 in reserves as at 31/03/24, of which £32,934 are earmarked for future projects, leaving only £21,972 in general reserves. Based on the Council's 2023/2024 expenditure, this equates to approximately 0.19 months running costs, which is critically below the expected range. As advised during the 2022/2023 internal audit and in line with the Council's own Reserves Policy and also guidance given within the JPAG Practitioners' Guide 2024 paragraphs 5.31 to 5.39, authorities with income and expenditure in excess of £200,000, should maintain a minimum level of general reserves at three months of net revenue expenditure and the maximum maintained, should not exceed twelve months of net revenue expenditure.

However, I am encouraged by the Council's Medium-Term Strategy and Financial Planning, which seems to address the current situation over a 5-year plan and projects general reserves reaching the equivalent of three months net expenditure, by the end of 2026.

Additionally, in accordance with the proper practices outlined in the JPAG Practitioners' Guide 2024, paragraphs 5.210 – 5.219, Braunstone Town Council, should give due consideration to migrating over to a .gov.uk domain for their website, including all Council email accounts. Specifically, paragraphs 5.210 to 5.212 state:

“5.210. All Parish, Town and Community Councils are eligible to use, and are advised to use, a .gov.uk domain for their websites and email communications. Your community, suppliers and partners will now reasonably expect a local council to have a .gov.uk domain name. Note that Parish meetings are exempt from the requirement to have a website.

5.211. To assist with compliance with the General Data Protection Regulations (GDPR), it is advised that clerks provide official .gov.uk email accounts to their councillors, which must only be used for official council business.

5.212. When choosing a domain name all councils must follow the rules set out by the Cabinet Office to choose a .gov.uk domain name, for example, ‘ourparishcouncil.gov.uk’ with email addresses linked to that domain.”

The Government Cabinet Office has secured funding to help councils with the initial cost of setting up a .gov.uk domain. This is a discount of £100 + VAT which is applied at the point of purchase by those Approved Registrars taking part in the Parish Council Domains Helper Service. This funding is limited to helping a maximum of 1,000 councils with their move to a .gov.uk domain and is offered on a first-come first-served basis. Current funding will run until March 2025.

## Summary

The report and findings are based on the information that was made available during the course of the audit. I am satisfied there are adequate internal control measures in place to protect the Town Council from financial risk, however, any possible risks associated the current low level of general reserves, need careful consideration.

To the best of my knowledge, all accounts and bank balances appear to be in order and accurate based on the information to hand, however, this internal audit does not involve the detailed inspection of all records and transactions of the Town Council in order to detect error or fraud. With many thanks to, Darren Tilley, Chief Executive and Town Clerk, for preparing the necessary documentation for the purpose of this internal audit.

### Have comments from the internal audit 2022-2023 been addressed?

Recommendation 2022-2023	Comment
Asset Register – Land and buildings should be detailed with a commercial value	Yes - actioned.
Reserves - low	<b>In progress</b> – reserves are critically low, however, Council is currently addressing the issue as outlined in the Medium-Term Strategy and Financial Planning to replenish reserves by 2026. The precept has also been increased for the 2024/2025 financial year, alongside revenue savings.

### Areas in the 2023-2024 AGAR Annual Internal Audit Report for which Yes or N/A cannot be ticked

	Reason
<b>A</b>	
<b>B</b>	
<b>C</b>	
<b>D</b>	The level of general reserves at the end of the 2023/2024 financial year was insufficient and did not meet the guidelines laid out in the JPAG Practitioners’ Guide 2024 paragraphs 5.31 to 5.39.

<b>E</b>	
<b>F</b>	
<b>G</b>	
<b>H</b>	
<b>I</b>	
<b>J</b>	
<b>K</b>	
<b>L</b>	
<b>M</b>	
<b>N</b>	
<b>O</b>	

**Recommendations for action 2024-2025**

<b>Areas for consideration or improvement</b>	<b>Recommendation</b>
Banking	Consider requesting two Councillor authorisation for the online banking facility.
Insurance Certificates	Suggest publishing insurance certificates to the Council's website.
Exercise of Public Rights	Recommend minuting the dates for the Exercise of Public Rights upon approval at a Town Council meeting.
Reserves	Carry out ongoing budget reviews and monitor reserves closely to ensure Council have sufficient funds to meet all commitments.
Website	Consider migrating to a .gov.uk domain as advised in the JPAG Practitioners' Guide 2024, including all Council email accounts.

Yours sincerely,

Mrs. Hannah Shaw  
Internal Auditor to the Council  
01530 249945  
[hshawinternalauditor@outlook.com](mailto:hshawinternalauditor@outlook.com)

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

	<b>Year ending 31 March 2023</b>	<b>Year ending 31 March 2024</b>
1. Balances brought forward	286,317	214,440
2. Annual precept	720,356	776,035
3. Total other receipts	338,512	458,847
4. Staff costs	544,102	604,238
5. Loan interest/capital repayments	82,433	81,151
6. Total other payments	504,211	709,027
7. Balances carried forward	214,440	54,906

8. Total cash and investments	157,711	29,524
9. Total fixed assets and long-term assets	5,429,228	5,693,434
10. Total borrowings	1,120,528	1,264,791



Braunstone Town Council

www.braunstonetowncouncil.org.uk

During the financial year ended 31 March 2024, 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 2023/24 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. \*PLEASE SEE IA NARRATIVE REPORT\*

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 2022/23, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2022/23 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 2023-24 AGAR period, were public rights in relation to the 2022-23 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 2022/23 AGAR (see AGAR Page 1 Guidance Notes).	✓		
<b>O. (For local councils only)</b>	Yes	No	Not applicable
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  
08/05/2024

**LRALC Internal  
Audit Service**

Name of person who carried out the internal audit  
HANNAH SHAW

Signature of person who carried out the internal audit



Date

13/05/2024

\*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

Areas for consideration or improvement	Recommendations	Reason	Priority (Risk Level)	Braunstone Town Council Response to Recommendations	Officer Responsible	Action Date
Banking	Consider requesting two Councillor authorisation for the online banking facility.	Risk of theft and fraud.	Medium	Request and implement two person authorisation for online payments.	Resources & Facilities Manager	Sept 2024
Insurance Certificates	Suggest publishing insurance certificates to the Council's website.	The proposal enhances transparency.	Low	Obtain a certificate for Public Liability from Insurer and Publish on Council Website	Chief Executive & Town Clerk	Nov 2024
Exercise of Public Rights	Recommend minuting the dates for the Exercise of Public Rights upon approval at a Town Council meeting.	Recommended Good Practice.	Low	Include in Report and note in the recommendations to Committee and Council in June 2024	Chief Executive & Town Clerk	June 2024
Reserves	Carry out ongoing budget reviews and monitor reserves closely.	To ensure Council have sufficient funds to meet all commitments.	High	Enhance quarterly report to Policy & Resources Committee and Medium Team Financial Planning.	Chief Executive & Town Clerk	Ongoing, Sept & Dec 2024
Website	Consider migrating to a .gov.uk domain as advised in the JPAG Practitioners' Guide 2024, including all Council email accounts.	In accordance with the proper practices outlined in the JPAG Practitioners' Guide 2024, paragraphs 5.210 – 5.219	Medium	Explore options with Council's IT Provider and Website Provider. Seek Councillor input (particularly concerning email accounts)	Chief Executive & Town Clerk and Resources & Facilities Manager	March 2025