

Internal Audit Report

(to be read in conjunction with the Annual Internal Audit Report in the Annual Governance and Accountability Return)

Name of council:	Syston Town Council		
Name of Internal Auditor:	Hannah Surtees	Date of report:	18.05.2019
Year ending:	31 March 2019	Date audit carried out:	14.05.2019

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.

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 Catherine Voyce (Town Manager and Responsible Financial Officer) on 14 May 2019 to carry out the 2018-19 year-end audit of the Town Council. I would like to thank Catherine for her time and assistance, as well as the Deputy Town Manager and Senior Administration Officer for their helpful assistance during my visit.

A series of independent audit tests was undertaken using the various financial records, vouchers, documents, minutes and the previous audit report to ascertain the efficiency and effectiveness of the Council's internal controls.

Internal Control

1. A test check was carried out to agree the accuracy of payment vouchers to the cash book and bank statements. These were well evidenced and provided a very thorough audit trail.
2. All payments are signed by three members in accordance with the Council's Financial Regulations and it is recommended that the cheque stubs are also initialled by the members signing the cheques for payment as an additional internal control.
3. The accounts are completed in a timely manner and bank statements, along with bank reconciliations are reported to Council on a regular basis, after first being presented to the Resources Committee.

Risk Management

1. Insurance cover for the Town Council is held with Zurich Municipal and is part of a three-year agreement. The fidelity guarantee is £1 million.

2. The Town Council Asset Register has been reviewed and updated during 2018-19.
3. Risk management is an ongoing activity that comprises four elements: - identifying risks, assessing risks, addressing risks, and reviewing / reporting.

Local councils are required under section 3 of the Accounts and Audit Regulations 2015 to demonstrate effective arrangements for the management of risk. The Town Council currently employs Ellis Whittam to assist with fulfilment of its risk assessment requirements and various reviews have taken place throughout the financial year.

4. The Good Councillor's Guide to Finance and Transparency (2017) recommends that a Council should typically hold between 3- and 12-months expenditure as a general reserve. If the general reserve is too low, then it may not be enough to cover unexpected expenditure or emergencies. The Council should continue to carefully monitor its general reserve balance to ensure that it is adequate.

Governance

1. The budget information for 2018/19 has been reviewed throughout the financial year and budgeting monitoring is reported to both the Resources Committee and Town Council.

It is noted that the budget for 2019-20 went through a rigorous process at various Resources Committee and Full Council meetings, however the minutes from the Town Council meeting held on 18 December 2018 do not clearly highlight the precept amount nor the 2019-20 agreed budget figure. The Council must make clear within its Full Council minutes the agreed budget figure for the forthcoming financial year, as well as the precept figure. It is recommended that the budget detail be uploaded to the Council's website to aid transparency.

2. Payroll information for all Council Staff was checked to ensure that suitable arrangements are in place for the deduction of PAYE, National Insurance and pension contributions. Contracts are in place for all staff.
3. A VAT reimbursement claim form is submitted by the Council at regular monthly intervals.

The sample check of the individual elements recorded on the payment invoices for the 2018-19 financial year were noted and agreed to those shown on a separate spreadsheet prepared by the Town Manager / RFO.

4. Whilst the Council has reviewed both its Standing Orders (2018) and Financial Regulations (2019) during the course of the 2018/19 financial year, these should be uploaded to the Town Council's website to replace older versions that currently exist on the site.

The Council should be careful to check its Standing Orders and Financial Regulations documentation against the NALC model versions of both documents that are available, particularly where contract values and the open competitive tender process are concerned.

LRALC are able to help with further information about the relevant contract limits that trigger the open competitive tender process.

5. Minutes 599/18 and 600/18 of the Resources Committee meeting held on 19 March 2019 refer to virements from unspent provisions to be carried forward to the 2019/20 financial year. This however contradicts with the Council's Financial Regulations, as any unspent provisions in the revenue budget or Capital Budget for completed projects shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Council.
6. Receipted monies are banked efficiently, and the Council provides written receipts for all monies it accepts. It is recommended that the bank paying in slips should also record the details of the receipt numbers so that they can be easily cross-referenced. A sample check highlighted that receipts are not always clearly highlighting any relevant VAT element, despite it being correctly recorded within the Council's financial ledger. It is recommended that receipts should record any VAT elements that are applicable.
7. The Council has a list of policy documents with associated review dates. There is a tab for Policies and Procedures on the Council's web home page and it would prove useful to display this document to aid navigation for visitors to the website.
8. To comply with the best practice requirements of the Local Government Transparency Code 2015, the Council should look to upload: -
 - its internal audit report from 2017/18; and
 - contract values above £5,000.
9. The Council has confirmed its eligibility for the use of the General Power of Competence.
10. A sample check of the Council's minutes highlighted a number of occasions when the public and press have been excluded from the meeting due to matters of a confidential nature, however there is not any reference contained within the minutes to record the Council's decisions in relation to these confidential subject matters. The Town Manager advised that a confidential minute book is held separately.

LRALC is able to provide suitable guidance about the recording of Council decisions that are made within the confidential section of a meeting.
11. The Council reviews its Committee terms of reference at its Annual Town Council meeting. It was noted that the terms of reference do not clearly indicate if there is delegated power granted to the varying Committees, yet the minutes from these Committee meetings refer to 'resolutions' being made.

By reviewing the hard evidence, discussing with the Town Manager, and selectively testing a small number of transactions, I am satisfied that the Council is operating sound policies and procedures which enable it to deliver its services and fulfil its responsibilities effectively and efficiently. Recommendations have been made within this report to enhance and strengthen the internal controls that exist. I have tested all the Internal Control Objectives I am required to consider, and in all significant respects, the objectives have been met. I have therefore completed the Internal Audit Report section of the Annual Governance and Accountability Return.

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.

Yours sincerely,

Hannah Surtees
LRALC Internal Auditor
admin@hsvirtual.co.uk

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

	Year ending 31 March 2018	Year ending 31 March 2019
1. Balances brought forward	681,549	639,426
2. Annual precept	416,511	439,932
3. Total other receipts	104,249	146,043
4. Staff costs	271,779	292,341
5. Loan interest/capital repayments	30,230	30,230
6. Total other payments	260,874	393,439
7. Balances carried forward	639,426	509,391
8. Total cash and investments	623,764	489,292
9. Total fixed assets and long term assets	2,674,731	2,696,251
10. Total borrowings	203,071	183,747

The proper practices referred to in Accounts and Audit Regulations are set out in *Governance and Accountability for Smaller Authorities in England (2018)*. It is a guide to the accounting practices to be followed by local councils and sets out the appropriate standard of financial reporting to be followed. A copy of the guide is available for free download from:

<http://www.leicestershireandrutlandalc.gov.uk/uploads/governance-and-accountability-for-smaller-authorities-in-england-2018-sections-1-5-1.pdf>