

## 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:	Lutterworth Town Council		
Name of Internal Auditor:	John Marshall	Date of report:	19.05.21
Year ending:	31 March 2021	Date audit carried out:	19.05.21

*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 Chair 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 'phone. I would thank Carol Mobbs, Town Clerk and RFO for her co-operation and assistance in delivering the audit; having the year-end data available so promptly at the end of what has been a very difficult year for clerks and councils, together with her quick response to my queries has been very helpful.

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 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, year-end procedures and the public display of information including the exercise of public rights.

I looked particularly at the arrangements that the council put in place in response to the C-19 restrictions, to manage the processes and procedures that would normally require documents including Minutes, invoices etc to be physically examined and / or signed. Where changes have been made, I am satisfied that the modified arrangements have been introduced without any significant diminution in the overall standard of internal controls.

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 AIAR. This supplementary information was provided in the form of written answers to the questions raised together with scanned documents including the Accounting Statements (section 2 of the AGAR) and the bank reconciliation.

Last year, the External Auditor drew attention in section 3, part 2 'other matters' of the 2019/20 AGAR to the fact that the council had not properly provided for the exercise of public rights; the dates entered on the notice covered 30 calendar rather than working days. Because of that observation I am obliged to enter a 'no' response to question M in the AIAR.

For my part, I identified just two audit issues with a common theme;

- I was unable to confirm that the council reviewed the effectiveness of its arrangements for the management of risk during the course of the audit year, legally required by virtue of regs 3 (c) and 6 (1) (a) of the Accounts & Audit Regulations 2015. It is important to note that the duty lies with the council, not a committee and the evidential test of compliance used by both the internal and external auditor is the existence of a minute that confirms the duty has been discharged. The council did and does have risk assessments in place and a considerable amount of work has been done by the Administration, Finance and Development Committee to bring this area of the council's business into line with requirements (see the Minutes of the meeting of 21 February 2021, minute 5). \* 23. Furthermore, the full council meeting of 09 March 2021 discussed the work done in committee on the review of risk assessment (see minute 21/358 d) and the relevant council minute notes the work but stops short of recording explicitly the legally required review.
- I was unable to confirm that a budget had been approved by the council. I have been able to verify that the budget was prepared and agreed by the Administration, Finance and Development Committee at its meeting on 06 January 2021 and the full council resolved to accept the recommendations of that committee at its meeting on 12 January 2021. As with the risk assessments the legal requirement to set a budget lies with the council and the duty cannot be delegate to a committee; again, the test of whether the requirement has been met is satisfied by a minute. The setting of a budget is implicit in the council minute 21/324 c) but needs to be explicit to pass the evidential test.

Whilst this may seem to be semantics, I am duty bound to draw this governance issue to your attention. That said, it is apparent that in both cases the work done by the council and its committee fully meets the spirit of the relevant legal requirements and the errors in recording are due to an unfortunate misunderstanding at a time when the demands on the council and its staff were considerable. I deem these oversights to be technical breaches and I consider it appropriate to answer 'yes' to questions C and D in the Annual Internal Audit Report (AIAR). The council is now emerging from a prolonged period of upheaval and uncertainty and I am confident that the issues identified will be properly addressed and not repeated.

Notwithstanding the above comments, 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.

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