Baildon Town Council Internal Audit Report February 2019

Introduction

This was my first audit visit to Baildon, and its purpose was to familiarise myself with working practices currently in operation in order that my work can be tailored to the council and be as useful as possible in the future.

Prior to my visit it had been agreed that the council having a Precept of £199.000 would require two audits per year. It is not enough to have a year-end audit only when the council is of a certain size. It was agreed that there would be a mid-year audit and a year-end audit.

The Responsible Financial Officer (RFO), Gary Stephenson and I agreed the scope of each audit visit. The mid-year audit will concentrate on the policies and procedures in operation and the end of year audit will concentrate on the financial closure of the year in question.

An effective Internal Auditor will not simply look at the finances of a council but should ensure that good working practices are in operation. This includes the examination of the policies and procedures of the organisation being audited.

The role of an internal auditor is to ensure that there are robust controls in place which ensure that a council is functioning effectively. Internal auditing is an independent, objective assurance activity designed to improve an organisations operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Audit Findings.

Gary and I discussed the operation of the council, he explained the number of council committees and their individual purpose. We discussed the services that Baildon Town Council currently provides, and the future challenges posed to the council as Bradford Council passes more of its services to Baildon. This is the situation that many local council’s face as lead councils struggle to continue to provide services in the face of cuts. Community councils are having to take over services which otherwise would be lost entirely. Services such as public toilets, allotments, the operation of public buildings and the maintenance of footpaths are all being cut or stopped entirely.

Policies and Procedures.

The scope of the audit will include the policies in place to determine if they are fit for purpose. Baildon has both Standing Orders and Financial Regulations which I examined and found to be satisfactory. As I familiarise myself with the operation of the council I shall at each visit ensure that all policies reflect the working practices in operation.

Gary said that there was an internal control system in operation and that two councillors have the responsibility for checking the financial controls in operation. When this task was last completed it was undocumented and I was therefore unable to ascertain which checks had been carried out. Having an effective internal audit process is only part of ensuring effective governance it is important that councils themselves maintain adequate systems of control which are regularly reviewed for its effectiveness.

During the audit visit other policies and procedures were examined and found to be satisfactory and each will be listed and reviewed at a future audit. One policy I could not find was a Privacy Policy. I recommend that this should be rectified. There is a template for a Privacy Policy that the Yorkshire Local Councils Association (YLCA) has provided which can be tailored to suit.

Code of Conduct and Disclosure of Interest Forms for Councillors

Baildon Town Council has 12 councillors, each councillor has completed a disclosure of interest form which is on the website. The purpose of displaying these forms is to ensure that councillors properly declare their interests and at each council meeting declare any interests that they may have. On future audits I will compare details in the minutes to ensure that councillors have properly done so.

Website

An increasing level of importance is now placed on a council web site. It could be described as the shop front of the council and its important that it includes all the necessary council information and is easy to navigate and visually attractive. I found the council website informative and visually attractive. I did find it hard to navigate, prior to my visit I do familiarise myself with a council website noting the information within it but there was some information that I struggled to find, and I concluded that this could be an area for improvement for the future.

Minutes

I examined the minutes for the Full Council Committee for the current year and found them to be satisfactory. Queries and notes that I had made from my examination of them on the council website prior to my visit were satisfactorily answered by Gary.

Appropriate Books of Account

I found that there were excellent systems of financial control in operation. There is an excellent audit trail for all transactions, invoices were properly filed and had been independently checked by two councillors. I also noted an excellent system for monthly bank reconciliation’s, and it was a quick and easy process to check that each reconciliation balanced to each bank statement.

It is important to remember that a council is responsible for employing an effective RFO but that the Council as a corporate body remains responsible for the council finances. To this end one of my recommendations for all councils that I audit is that councillors see and evidence the bank statements. Bank statements are prime documentation in that they cannot be altered. Many councils have a process where at each full Council the councillors present at the meeting compare a reconciliation to a bank statement and initial the statement of evidence of this check. Gary stated that this control will form part of the internal controls check procedure and this will be available for my future inspection.

Gary and I discussed the income streams that the council received. From the examination of the bank statement I found that this looked satisfactory and will be looked at again at my next visit. The Council has a petty cash float of £100 and this will be looked at my next visit to ensure that the expenditure is appropriate and that it is supported by an invoice or similar.

Budgetary Process

Gary and I discussed the process for the budget for the forthcoming year and the need to increase the Precept for the forthcoming year. Baildon has its challenges as previously discussed. Many of the civic buildings once owned by Bradford Council are in a state of disrepair and their continued use will need detailed discussions in the future. From the information I gained from our discussion, the information on the website and the spreadsheets Gary provided I was able to conclude that this area was satisfactory.

Staffing

Baildon Town Council employs 6 staff, Gary informed me of their hours, roles and responsibilities which I have noted for future reference. Each member of staff has an annual appraisal and part of my future audit work will be to check that each person receives theirs. Payroll administration is completed by a payroll provider Bradford CPA. I find that outsourcing payroll is often better than completing it in house as this can be a time-consuming area to manage.

Whilst looking through the invoices I found that there were timesheets for a person not paid through the payroll. The caretaker at the Ian Clough Hall has been paid £438.45 in the invoices I noted. I discussed this with Gary who said that this was an ad-hoc arrangement and that the council was unsure if this arrangement was to continue. It is recommended that if this is to continue the caretaker should have a contract of employment and be put on the payroll in order to pay the required income tax.

Insurance

The Council is currently insured with Zurich and the policy is due for renewal in September 2019. This will be examined as part of the mid-year audit process in future.

Asset Register

Gary and I discussed the Council’s Asset register and the requirements of the External Auditor when completing the asset register information on the Annual Return. As this is a year end task this will be covered at my next visit.

Recommendations

My recommendations from this visit are:

* A formal internal control system implemented, and the resulting documentation placed on the audit file so that I can see that the checks have been completed. This should include the examination of the bank statements.
* Implementation of a Privacy Policy.
* The proper employment of the caretaker at Ian Clough Hall if this arrangement is to continue.

Conclusion

This visit as my first was mainly an information gathering exercise so that I can familiarise myself with the operation of the council. I was impressed with the financial systems in operation and I concluded from my visit that Baildon is an effective Council and that it has quite a few challenges to face in the coming years. My next visit will be on the 26th of April and will form part of the financial year end process.

I would like to thank Gary for his help throughout the audit and to wish Baildon Town Council all the best in its endeavours in supporting its community.

Diane Brown

Baildon Town Council Internal Auditor

05/02/2019