Baildon Town Council Internal Audit Report October 2019

Introduction

The role of an internal auditor is to ensure that there are robust controls in place which evidence 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 further improve the effectiveness of risk management, control and governance processes

Owing to the size of the Council’s Precept it was agreed when I was appointed that there would be two audit visits per year. One mid-year in Autumn and one at the financial year end. It was agreed that to avoid duplication of work that each visit would have an agreed programme of examination. The programme is not static and will change depending on the challenges faced by the council.

At the beginning of each audit the programme is discussed with the Town Clerk Louanna Winch and Responsible Finance Officer Gary Stephenson to ensure that it covers the essential areas requiring auditing. We also have a discussion as to what has happened since my last visit.

Year -End Visit

* Progress from the previous audit recommendations.
* Examination of the Council minutes since the last audit to determine activity.
* Financial Policies and Procedures.
* Risk Assessment Update
* Ensuring robust financial controls remain in place
* Financial transaction testing since the last audit
* VAT
* Asset Register
* Annual Return

Mid- Year Visit

* Progress from the previous audit recommendations
* Examination of the council minutes since the last audit to determine activity
* Register of Interests and compliance with the Code of Conduct
* Budgetary process
* Insurance
* Website
* Financial transaction testing since the last audit
* Salaries SLA
* Staff Appraisals
* Challenges to the Council since the last audit

Audit Findings.

The starting point of any audit is to look at the output from the previous audits.

My recommendations from my last visit in April 2019 were as follows and my notes regarding progress on the implementation of the recommendations are in italics.

* A formal internal control system should be 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. *This has now been implemented with an agreement that the completion of the control system checks will co-inside with my visits.*
* A review of the current policy for assessing risks and how the output of the review is documented in the register. *This has been reviewed however Louanna said that there would also be an addition to the Register as she had recently learned that issues regarding section 17 of the 1997 Crime and Disorder Act for public events could be applicable.*
* VAT to be reclaimed quarterly. *This has not been actioned yet.*
* Asset Register to include more detail. *This has not been actioned yet.*

Examination of the Council Minutes to determine activity since my last visit

I examined the minutes of the Full Council and Governance Committees for the current year and found them to be satisfactory. I noted that there are to be a few challenges in the coming year which I discussed with Louanna and Gary.

Bradford Council is to demolish the Library, entailing a move in premises for the Council. The Library is not an efficient building with its flat and leaking roof and its maintenance had created budget implications for the Council trying to keep the building in a reasonable and safe state of repair.

It will be a shame for the local community to lose the library provision and the Town Council is hoping that there is a short-term solution which can deliver the service until a long-term solution can be found. Discussions are currently taking place as to where to house a temporary library service, but no decisions have been made yet.

The Community Asset Transfer from Bradford Council is going ahead for the transfer of the Children’s Centre to the Town Council. The Children’s Centre will be the new premises for the Town Council Offices. The Children’s Centre was built nine years ago and is a more fit for purpose building than the current Council offices within the library. There is an outstanding issue as to how the building will serve both the Town Council and the current tenant which is a Childcare Provider. From our discussions I was assured that Louanna is considering the currently known implications and answered all my queries to my satisfaction. There will be budget implications for the move, but this has been considered and Gary stated that the planned underspend to be carried forward at the end of this current year should cover all eventualities.

One of my previous recommendations was that the Risk Assessment Policy was updated which has been actioned. Louanna stated that this was to be refreshed again as at a recent training course she had learned that certain events required a risk assessment in line with section 17 of the 1997 Crime and Disorder Act. This is a good example of good practice that I shall pass on to my other Council audit clients.

Register of Interests and Compliance with the Code of Conduct

The 2019 Elections resulted in changes to the Council. There have been several newly elected members and several co-options with one vacancy remaining. It is important that all councillors complete and have their Disclosure of Pecuniary Interest Forms displayed on the Council website. Prior to my visit I noted that three councillors did not have their forms on the website and Louanna actioned the omissions during my visit.

It is strongly recommended that all councillors attend Yorkshire Local Council’s Association (YLCA) Councillor Training particularly if they have limited Local Government experience. It can really help and will give useful context to the workings of councils and how best individually they can help their community.

Budgetary Process

The Budget for 2020/21 is currently being considered. It will be an Agenda item in November with councillors discussing the challenges to be faced in 2020/21. Gary and I again discussed the expected carry-forward and how this will help to ease any problems with the office move. It is too early now to be specific but is good practice to start the process of looking at the next financial year at this time of the year.

Insurance

The Town Council is currently insured with Zurich. This is an annual policy and was renewed in August 2019. I examined the arrangement and found it to be satisfactory.

Website

Prior to my visits I look at the website and catch up with activity since my last visit. This includes the examination of items included in that audit programme. I am getting better at navigating the site as the drop-down search box is not the most user-friendly method of finding documents.

I found the documents and information required and this area was therefore found to be satisfactory.

Financial transaction testing since the last audit

I examined the financial transactions for the current financial year 1st April to the 30th of September including the monthly cash book reconciliations to the bank statements and found them to be correct. I examined all invoices for this time period and found them to be properly addressed to the council, had been properly authorised and the expenditure reasonable.

The Council is introducing a financial software package and currently it is being run in tandem with the Excel system. Gary explained that staffing issues had prevented the software being fully utilised but that it will be in place by the time he retires. As we have previously discussed it is a good time to implement such a universally understood financial package in readiness for the future staffing structure changes.

I noted that now owing to the changes in elected councillors that the mandate is out of date. Currently there is only one signatory, and this should be rectified as soon as possible. It is further recommended that the councillors who have financial responsibility are the ones who contribute to the completion and monitoring of the Internal Control Check list system.

I also checked the petty cash and found the balance at the date of the audit of £106.03 minus recent receipts to be correct.

I was pleased to note that the Annual Return when completed by the External Auditor had no issues arising.

Staff Appraisals / Salaries Service Level Agreement

Staff appraisals have previously been examined at the year-end audit but Louanna and I agreed that this should be completed mid-year. The year end is the busier audit, so it makes sense to move this topic and to cover all staffing issues together. Louanna and I discussed the current system of staff appraisals which has not changed since my previous visit. I found all appraisals to be complete and timely.

The SLA for salaries is with a private provider, Bradford Community Payroll. This area was found to be satisfactory. My only query was what would happen should this business close when it held any advance staff salary payments? Louanna said that she would investigate this and add it to the Risk Register if she felt that this was a potential issue.

Going forward there are to be some staffing changes, the main one being Gary’s pending retirement and how this will be reflected in the staffing structure. Gary’s role as the Section 151 Officer set out in the 1972 Local Government Act requires the Council to ensure that any new appointment is made with these considerations in mind.

In addition, there has not been a staffing review for some years. Staff have taken on differing roles and its good practice to ensure that job descriptions, person specifications and the proper rates of pay are regularly reviewed. The Council is to request that the YLCA complete a review of the current staffing and pay situation. Its important for the Council to remember that as the challenges to the Council expand so do the roles and responsibilities of staff.

Challenges to the Council since the last audit

Louanna and I discussed many of the challenges currently being faced by the Town Council which are noted under the examination of the minutes part of this report.

We also briefly discussed going forward other challenges such as the cuts in the Youth Service and the issues with Baildon being poorly served by local transport.

When I next visit the Town Council will hopefully have moved to its new premises. Although I was assured that all possible risks have been considered until the move takes place there remain a few unknowns such as the continuation of the appropriate of children’s services within the building and of course the budget implications.

It is also hoped that the Staffing Review has taken place and the recommendations implemented which properly reflects the roles, responsibilities and pay of the staff.

Recommendations

My recommendations from this visit are:

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* VAT to be reclaimed quarterly. This is a recommendation carried forward from my last report.
* Asset Register to include more detail. This is a recommendation carried forward from my last report.
* Banking mandate to be updated as soon as possible.
* Investigation as to the security of upfront salary payments to the SLA provider.

Conclusion

Baildon Town Council is a well-run council with good systems of control in operation.

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

Diane Brown

Baildon Town Council Internal Auditor

31/10/2019