Baildon Town Council Internal Audit Report mid-year 2020/21

Introduction

The last audit I completed for Baildon Town Council was undertaken remotely, it was hoped that this audit could have been completed with a physical visit but sadly it was not possible. The issues surrounding COVID-19 have not been resolved and it may be the case going forward that audits will continue to be carried out remotely.

It is my view that the purpose of internal auditing remains the same whether its remote or site based. Councils being audited need to evidence that they are functioning effectively and that robust controls are in place.

I carry out two audits per year for Baildon Town Council, a year end visit and a mid-year one. A programme for each visit was agreed with the Town Clerk Louanna Winch and the retiring Responsible Finance Officer Gary Stephenson. The areas to be examined at this visit are listed below. The programme is only a guide and can be changed to suit the needs of the Council

Having a mid-year audit is an opportunity to reflect on current processes and determine if any improvements can be made. I find that mid-year audits are less pressured because the deadline of the completion of the annual return is not there. Discussions can be centred around system improvements and can further strengthen in my view the relationship between auditor and auditee which benefits the organisation being audited.

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

The Audit

At the beginning of the audit I had two Zoom sessions with Louanna covering the recommendations from the previous audit and the scope of the current audit. Noted below are the recommendations from my previous audit and the actions taken to implement them by the council. The notes of action taken are in italic at the side of each recommendation.

* Completion of the Internal Control Document to be completed prior to my visit. Owing to the size of the Council I recommend that this exercise should be completed as least twice a year. *Louanna and I discussed this system and how it can be improved. The Accounts and Audit Regulations requires all councils to conduct each financial year a review of the effectiveness of the system of internal control. This will continue to be a recommendation.*
* VAT claim to be made. *This has been completed.*
* Agreed Asset Register changes to be implemented. *This has been completed.*
* Banking Mandate progressed when possible. *Progress is being made but the current situation has affected this. The Council is considering a move from Santander to Unity bank so this will add to the time needed to ensure that there is a properly agreed mandate with the new banking arrangements.*

Council Minutes

I read the minutes published on the website and from them I was able to note the progress made with the various on-going projects. The most pressing challenge is the need for new council premises and something that the Council is struggling with. Currently, staff are working from home, but new premises are required in the medium term. In addition, there are uncertainties surrounding the library and the continuation of this valued local service. The Council is considering a Community Asset Transfer of Ian Clough Hall which formerly housed both the council offices and Library. It is scheduled for demolition unless it can be saved by the Council.

One of the main problems is the state of this property, a 1970’s building with a flat roof, poor insulation and in need of a lot of work. Before formally submitting a Community Asset Transfer the Council is to carry out a detailed survey and determine the costs of maintaining the building going forward. If the survey states that the work required is excessive and expensive the transfer may not go ahead. These are uncertain times, but the Council is being prudent in its approach.

At my last audit I noted that the Council had embarked upon a staffing review. The review has now been concluded, and its recommendations are in the process of being implemented. Gary Stephenson the current Responsible Financial Officer (RFO) is retiring, and this is a good opportunity to determine what the staffing requirements are. The job descriptions of all staff have been examined and made fit for purpose and a new deputy clerk and RFO created. All appointments have been made but the staff have yet to start. The new staffing structure is to begin in December 2020.

Register of interests and compliance with the Code of Conduct

Baildon Town Council has 12 councillors, currently there are two vacancies which is hoped will be filled by co-option shortly. All current councillors have completed a disclosure of pecuniary interests form and they are available for inspection on the council website. All councillors have been given a copy of the code of conduct and are therefore aware of the expectations of public office. It is a councillor’s duty to state any interests they may have at each meeting.

The Yorkshire Local Councils Association has concerns that generally there is a lack of robust controls in this area and has publicised to all its councils the further consultation by the Committee for Standards in Public Life. All councils are being asked to formally respond to this consultation. It is felt that the results of this consultation will affect the public sector and will bring in additional controls that will be added to the internal audit checklist.

Budgetary process

In discussion with Louanna and the examination of the budgetary working papers, I concluded that there were good systems of control. Regular monitoring information is produced which is accurate and timely. The Council has yet to fully implement the new financial software and is currently operating two financial monitoring systems. I discussed this with Louanna and felt assured that going forward there will be sufficient support for the new RFO in operating the new system.

Insurance

Since I last looked at this area the Council has changed insurance providers and now uses the services of a broker with Local Government experience. The use of such a broker ensures that a council has appropriate insurance and value for money. I found this area to be satisfactory.

Website

Prior to the audit I looked at the website and found it easy to navigate and it included all the information I needed. I found this area to be satisfactory.

Financial Transactions

Gary emailed me scans of all bank statements and reconciliation for the half year being audited .I noted that there was not a reconciliation produced for April and Gary stated that it was not the practice for one to be produced for that month. Louanna and I agreed that a bank reconciliation would in future be produced for every month.

From the bank statements I chose a sample of invoices for further scrutiny and found them to be for appropriate council activity.

I noted from the bank statements that Santander had ceased accruing interest on the current account. This is happening with most banking institutions and in my role as a government auditor I am seeing many town and parish councils having large amounts in bank accounts on which no interest is being received. Interest rates are low now and the Council is to change banks. However, it is recommended that this area is considered to ensure that the Council is maximising all avenues of income.

Louanna and I discussed the need to document the financial controls in operation as proof of an adequate system of financial control. This is an area that Louanna is to give priority to in time for the next audit.

I was pleased to note that the Annual Return had been finalised and received with no matters arising.

Salaries Service Level Agreement (SLA) and Staff Appraisals

All staff had been appraised in February 2020. The new staffing structure will require changes to the current system which Louanna has in hand. Louanna stated that the SLA for salaries is working well and currently suits the Council’s requirements.

Conclusion and Recommendations

All Councils are facing unprecedented change now with meetings being carried out remotely and staff working from home. On top of these generic challenges Baildon Town Council faces other challenges such as not having its own building and how it can continue to support Library provision. There is the consideration of what to do with the Ian Clough building which will be decided after the architectural survey is completed.

There is the implementation of the staffing review and the retirement of Gary and the appointment of new staff. I consider the implementation of the new financial software to be something to overcome particularly as it will be completed by a new RFO. I have no doubt that Louanna is an effective Town Clerk and hopefully all challenges will be overcome.

The Council is also in the process of considering changing banks and this is not always a straightforward task and will add to the challenges currently being posed.

The conclusions reached from the audit are based on the information given to me by Louanna. This report should go to full council and be discussed, and the recommendations considered.

The following is a list of recommendations from this audit.

* Internal Control Document to be completed prior to my visit. Owing to the size of the Council I recommend that this exercise should be completed as least twice a year.
* A banking reconciliation to be produced for April to bring the process in to line with other monthly processes.
* Consideration of an investment strategy to maximise interest.

I would like to thank Louanna for her help during the audit and Baildon Town Council all the best in the coming year.

Diane Brown- Baildon Town Council Internal Auditor 01/11/2020