

## Internal Audit Report of Bingley Town Council

Date of visit 07/11/2018

### Introduction

As the Internal Auditor for Bingley Town Council I have been appointed to complete two internal audit visits per year. A mid-year visit and an end of year visit. This visit was the mid-year visit.

The role of an internal auditor is to ensure that there are robust controls in place which ensure that the council can function effectively. It is important, therefore, to ensure that an auditor is objective and independent from the council in order to make considered improvements for the future. As I am not part of the organisation being audited I am in a position to look at the current operation of Bingley Town Council and make objective and useful recommendations for improvement.

Each visit has an agreed programme of examination, but this is not static and will change depending on the current challenges faced by the council.

### Mid-year Visit

- Progress regarding previous Audit Recommendations
- Examination of the Council minutes since the last audit to determine activity and make comments
- Register of Interests and compliance with the Code of Conduct
- VAT
- Website
- Budgetary process
- Insurance
- Ensuring robust financial controls remain in place
- Ruth's appraisal
- Financial transaction testing since the last audit
- Salary SLA
- Challenges to the Council since the last audit
- Legislative changes since the last audit

### Progress regarding previous Audit Recommendations

The starting point of each audit is the action taken on the recommendations from previous internal and external audit reports. I was pleased to note that the Annual Return for 2017/18 which is the external audit output was correctly published on the web site and that it had it stated that it was an unqualified report with no matters arising.

At the side of each recommendation from my previous audit are notes in italics denoting from my conversation with Ruth as to what action has been taken.

- Consideration of an Investment Strategy. *This has been actioned and an Investment Strategy has been properly considered and is now in place.*
- VAT reclaim to be completed quarterly. *This point has also been actioned.*
- All councillors to attend Code of Conduct training at some point. *Currently there isn't any YLCA Code of Conduct training on the training programme, but this will be revisited later.*

I am pleased to note that the Council has taken the appropriate steps to implement my recommendations which will ensure improved service delivery.

### Audit Examination and Findings

#### Examination of the Council minutes since the last audit to determine activity and make comments

Prior to my visit I examine the minutes of the meetings which have taken place since my last visit. This is essential research to determine council activity and how I can best direct the internal audit programme for each visit.

I have in my previous audit reports noted the ambitious plans of the council and from the examination of the minutes I can see that the council continues to forge ahead to achieve its outcomes. There must be a point however where it is prudent to take stock of a situation and consider and ensure that there are the resources in place to properly deliver the desired outcomes.

Adopting a considered prioritisation approach to future decision making is recommended. The Council has started this process and Ruth provided me with a document which lists the current priorities for the council. As it rightly states in the introduction to the document the council has finite resources in terms of time (Staff and Councillors) and budget. Councillors are designated projects to lead and support. One of the risks to this approach, especially as we head towards an election year, is that there is a risk that councillors may not be re-elected, and a valued resource may be lost which could hinder the progress of a project. In such a situation increased pressure would fall on staff. It is recommended that this risk of project sustainability is added to the risk assessment document and consideration to given to new projects only when available resources have been identified.

Owing to the need for additional resources, Ruth states that Laura's hours have been increased and within the draft budget for next year there is a line for additional staff.

There is no doubt that as the council forges ahead with its plans that more staff will be required. The employment of new staff is never straightforward as recruiting staff and subsequent training does take up time before they are able to contribute effectively. Time for training and supervision will need to be taken into consideration should this go ahead.

#### Register of Interests and compliance with the Code of Conduct

Since my last examination of this area 2 councillors have been elected and they have properly completed their disclosure of pecuniary interest forms and been given a copy of the code of conduct. There is currently a vacancy for a councillor and this co-option will be examined at my next visit.

## VAT

Reimbursements of VAT are now completed quarterly. This is an easier process as the financial software Rialtas Business Systems (RBS) lists the VAT and this information can then be transferred in the VAT reimbursement form. This area is satisfactory.

## Website

As part of my work as a council auditor I examine a lot of websites and I am impressed with the website of Bingley Town Council. It is easy to navigate and visually attractive. Unusually I have always found all the necessary documentation needed for my pre-meeting audit work which is praise indeed! I also noted that the council are continually improving the site and have a website enhancement process planned with their supplier Digital Nomad later this month.

## Budgetary Process

This is the time of year when an effective council starts to consider the budget for next financial year. I noted in the minutes that this was an agenda item and councillors had already started to consider the forthcoming budget. Ruth provided me with her early budgetary figures which at this moment are the starting point for the precept request to Bradford Council for 2019/20. Ruth stated that the council rigorously scrutinises the budget, starting with the Finance and General Purposes Committee in November. Once a budget is drafted it will then go to full council at the end of November before approval at the January meeting.

Confirmation of the Council Tax Support grant and council tax base is awaited from Bradford and Ruth will send me the final copy of the budget once it's agreed. This area was found to be satisfactory.

## Ensuring robust financial controls remain in place

The council has yet to fully begin the process of on-line banking and is still using cheques. This is, of course, up to the council as to when they choose to start using on line banking for payments. The use of cheques does involve inherent financial controls which would need to be replicated with an on- line transaction process. Ruth said that this was something that would be considered soon.

Bingley Town Council use Rialtas Business Systems (RBS) which I consider to be an effective financial software package and using RBS personnel to help with the closure of the financial year is good practice. From an internal control point of view, it gives another layer of control as an external person is ensuring that the cash book reconciles to the bank statement. In addition, the year end is a time consuming and often difficult time of the year for clerks so this help with the processes is invaluable and worth the expense.

I noted good practice in that councillors with designated financial responsibility balanced both bank accounts to the cash book each month. I checked that this essential control has been properly followed each month.

I also noted that the Internal Controls document was last completed on the 18<sup>th</sup> of October 2018.

### Ruth's Appraisal

Ruth had her appraisal on the 19<sup>th</sup> of October 2018. Ruth stated that her appraisal had been of benefit and one of the many challenges for 2018/19 has been the management of her sickness absence. I found this area to be satisfactory.

### Financial transaction testing since the last audit

I examined all expenditure transactions for April to October 2018. I found that there was an excellent audit trail and the reports provided by the financial software were accurate and timely. My queries from this process were all answered to my satisfaction. Since my last visit I noted that the council has invested £80,000 with CCLA.

The council has two accounts and as at the 31<sup>st</sup> October there was £30,150.70 in the savings accounts and £107,996.57 in the current account.

The council also has a credit card and I examined all transactions in the current year and found them to be for appropriate council expenditure.

I noted that there was suspension of financial regulations for certain items of expenditure which were discussed with Ruth. I found this area to be satisfactory.

### Salary Service Level Agreement (SLA)

The SLA for salary administration is with an external provider Bradford Community Payrolls. It had been noted by RBS when inputting financial data that the provider was given a three-month payment for salaries in advance. This is probably due to the nature of the supplier which provides payroll services for small organisations and voluntary groups. However, there is a risk should the company cease trading that it would leave monies outstanding. Hopefully this is a worst-case scenario, but the probability should be considered for inclusion in the risk register. This could be mitigated with consultation with the Insurance provider, but I am not an expert in this area, so the council would need to ask them.

An area I found a little confusing was the payment of pension provision for staff. I found it hard to follow the audit trail for the payment transactions. When asking for clarification I found that Ruth had already queried it with the payroll company. The payroll company is only registered with the one provider and the payment transaction process is a little confusing. Ruth has requested more information and will keep me updated.

### Insurance

The Council's insurance is due for renewal on the 1<sup>st</sup> of June 2019. In common with many parish councils the Council has entered into a long-term agreement which expires on the 31<sup>st</sup> of May 2019. I did not look at the policy at this visit but will add it to my next visit.

## Challenges to the Council since my last visit.

Bingley Town Council continues to forge ahead to effectively serve its community. The list of projects in operation and those being considered continues to grow. I think that after three years in operation that there may be a time for reflection in what has been achieved, what is currently planned to date and the vision for the future. It is important that the Council keep focused on what can be achieved with the resources available. This also applies to their internal audit provision and whether the current programme is effective and gives the council proper assurance that all systems are working well.

## Legislative changes since the last audit

One of the main challenges in the past few years has been the implementation of the long-awaited improvements to our Data Protection through GDPR. Bingley Town Council, as noted in my previous audit reports, completed the necessary system changes and continue to improve in this area.

Another challenge will be the that as the council grows its gross income or expenditure will be more than £200,000 annually. There is a different methodology for the presentation of accounts which will also need to be evidenced for the Annual Return. As expected, Ruth has this in hand and is to attend a training course on it.

## Conclusion and Recommendations

I did not find any fundamental or significant findings in my examination of the accounts and procedures.

I was very pleased to note that my previous recommendations had been actioned.

The recommendations from this audit are;

- Adopting a considered prioritisation approach to future decision making is recommended. A taking stock exercise is needed. This is particularly important as we approach an election year as current councillors who perform project management roles may not be re-elected which would affect project sustainability. This risk should be added to the risk register.
- Addition of the up-front payment to the payroll provider be added to the risk register.
- Continued use of Rialtas to close the financial year end.
- Clarification of the pension payments process when additional information is received.

My next visit will take place in May 2019 and I would like to thank Ruth for her help during the audit process and wish Bingley Town Council all good wishes for the coming year.

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18/11/2018