

Internal Audit Report of Bingley Town Council

Date of visit 08/05/2018

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 end of year of year visit and involves the completion of the Internal Audit page of the Annual Return.

The role of an internal auditor is to ensure that there are robust controls in place which ensure that the council is able to 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.

It was agreed that each visit would have its own requirements so that there was not any duplication of effort. This visit encompassed the agreed audit programme items detailed below.

Year-end Visit

- Progress regarding previous Audit Recommendations
- Examination of the Council minutes since the last audit to determine activity and make comments
- Financial Policies and Procedures
- Other operational policies
- Asset Register
- Insurance
- Ensuring robust financial controls remain in place
- Laura's appraisal
- Financial transaction testing since the last audit
- Annual Return
- Challenges to the Council since the last audit
- Legislative changes since the last audit

Progress regarding previous Audit Recommendations

At the start of any audit my starting point are the recommendations from both previous internal and external audit reports.

The Annual Return for 2016/17 is correctly published on the Council web site and the External Auditors gave the Council an unqualified audit.

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.

- It is strongly recommended that all monies given to all organisations should be given through the grant awarding process. *It has been agreed that all grant awarded monies would go through the proper process.*
- Councillors are reminded to ensure that their Register of Interests forms are regularly updated and they are mindful of their statutory responsibilities in adherence to their code of conduct. *Ruth assured me that this area is being tackled and councillors have been reminded of their responsibilities. The Council has also implemented an application for dispensation form which is an excellent example of good practice.*
- It is further recommended regarding the point above that councillors should attend Code of Conduct training. *Code of Conduct training has taken place though not all councillors have attended. It is recommended that all councillors attend this training during their period of office.*
- The use of the Multi-pay card is added to the Internal Controls process. *This has been completed.*
- The Council implement a Social Media Policy. *This has been completed.*
- To agree a donations policy limited to an agreed amount say £100 for local causes. *This has been completed.*

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

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

Prior to any audit visit I examine the minutes of the meetings which have taken place since my last visit. This helps me to understand the current council activity and I can comment accordingly. Bingley Town Council continues with its impressive list of projects and progress is being made on each. These things take time and there are still issues to be fully considered and risks mitigated.

I examined the minutes for the latter half of the financial year 2017/18 and found that all minutes were on the web site and all financial decisions had been properly recorded.

I noted that Bingley Town Council has two new members, Helen Owen and John Brazendale. I examined Helen's Disclosure of Pecuniary Interests form but as John has only just been elected his form had yet to be completed and I shall examine it at my next visit.

Financial Policies and Procedures

From the website I ascertained prior to my visit that the council had refreshed its policies including the Standing Orders, Financial Regulations and the Internal Control Documents.

I found excellent financial controls in operation and the transaction testing carried out for the months of November, December, January and February did not highlight any queries. The last bank reconciliation which was evidenced by councillors was dated

the 28th of February 2018 and totalled £126,707.25. I checked this and found it be correct.

The Council is now using RBS software for the accounts, this is the first financial year end closure and the system will require time to embed. Extra development time and training has been planned for June 2018.

The Council has not yet embarked upon the use of on line banking and this will be considered in time.

An area that Ruth and I have discussed before is the implementation of an Investment Strategy. As Bingley Town Council embarks on its impressive programme of works then it will need a sizable reserve and as Ruth and I have discussed before the probability of applying for a loan from the Public Works Loan Board (PWLB).

In the short term however is it prudent to consider investing monies to maximise the earning potential of the council. At this year end the carry forward is £108,348, an increase from last year of £25k. It is unusual for an authority to hold its reserves other than in the form of easily accessible short term investments. The capital projects in the pipeline require that funds are saved to ensure that that they can be afforded. An investment strategy will set out management arrangements for the investments held and procedures for determining the maximum periods for which funds may be prudently committed.

Annual Return

As it was the year end visit the main emphasis was the Annual Return. As the Council operates robust systems of financial control then as expected the accounts balanced to the penny. To be exact the year end position is £108,348.32. However the Statement of Accounts within the Annual Return requires each entry to be rounded to the nearest pound and when completing the statement the resulting total was £108,347 which is a £1 out. This is of course the result of rounding's and in audit terms is not material however this would be included in the resulting carry forward and would make the following years accounts out by the same amount. After a discussion it was agreed that the non-material adjustment of a £1 was necessary.

VAT

Bingley Town Council currently applies for their VAT reimbursement annually. It was agreed that going forward the VAT will be actioned quarterly.

Laura's Appraisal

Laura is proving to be an asset; she and Ruth make a good team. Ruth has completed Laura's appraisal and has set the targets for the coming year. This area was found to be satisfactory.

Asset Register

The Asset Register was examined and found to be satisfactory

Insurance

The Council's insurance is due for renewal on the 1st of June 2018. In common with many parish councils the Council has entered into a long term agreement which expires on the 31st of May 2019. I examined the Council's policy and found it fit for purpose.

Challenges to the Council since my last visit.

An area that is currently very high profile is the new EU legislation General Data Protection Regulation (GDPR) which becomes law in May 2018. This will have a large impact on larger Councils but I consider that the impact will not be the same for parish and town councils. Parish and town councils will be a low risk area however it is always good to be prepared for all eventualities and Ruth has the matter in hand and is aware of what is required. Since my visit the Government has applied common sense in that smaller councils do not have to appoint a Data Protection Officer.

Conclusion and Recommendations

I am always impressed by Ruth's way of working she is focused and diligent and a good example of an effective clerk. As an auditor I enjoy working with someone who is organised and understands the need for audit trails for financial information. I was very pleased to note that my previous recommendations had been actioned. The recommendations from this audit are;

- Consideration of an Investment Strategy
- VAT reclaim to be completed quarterly
- All councillors to attend Code of Conduct training at some point

My next visit will take place in October 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.

Diane Brown
Bingley Town Council Internal Auditor
12/05/2018